

DEPARTMENT OF BANKING AND INSURANCE



1998-1999 ANNUAL REPORT

CHRISTINE TODD WHITMAN
GOVERNOR

JAYNEE LAVECCHIA
COMMISSIONER



Department of Banking and Insurance
20 W. State Street
Trenton, NJ 08625

A Message from Governor Christine Todd Whitman

For the past six years, the Department of Banking and Insurance has been working to better serve the needs of New Jersey's families and businesses. As Governor, I am proud of our accomplishments to date and look forward to continuing our efforts to help New Jersey's consumers.

In May of 1998, I signed into law the most sweeping auto insurance reform in New Jersey's history. This fall, the Insurance Council of New Jersey reported that auto insurance costs have dropped by 16.2 percent, exceeding the expected 15 percent reduction. That's good news for New Jersey motorists.

When we passed the auto insurance reform law, there were many who said it could not be done – that insurance companies would not be able to offer the savings, that many people would not get the 15 percent rate cut, and that the rate reductions, if there were any, would be minimal. I'm proud that we proved the naysayers wrong and, as a result, New Jersey motorists are saving more of their hard-earned money.

Auto insurance reform is just one area where New Jersey is working hard to reduce your regulatory burden.

The merger of the departments of banking and insurance three years ago has positioned our state to be ready for upcoming changes in federal law intended to allow banks and insurance companies to better compete in a global marketplace. And while we are prepared to meet the challenges of a world economy, we must never lose sight of the fact that these issues touch the lives of every business and household in New Jersey.

Our focus on local banking issues has resulted in the growth of state-chartered community banks, credit unions, and improvements for New Jersey banks in their federal Community Reinvestment Act ratings. The ratings demonstrate that New Jersey banks are good neighbors, helping businesses and families improve the quality of life in their communities.

The regulation of banking and insurance is intended to keep those industries financially sound and adherent to the rules and regulations established to protect consumers. We will continue our efforts to provide New Jersey's families and businesses better access to banking services and more affordable life, health, and property insurance.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Christine Whitman", with a long horizontal line extending to the right.

Christine Todd Whitman
Governor



CHRISTINE TODD WHITMAN
GOVERNOR



JAYNEE LAVECCHIA
COMMISSIONER

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An Overview from the Commissioner

Since the beginning of 1998 and on into 1999, we have faced numerous challenges and achieved remarkable accomplishment for the Department of Banking and Insurance.

The reforms of the Automobile Insurance Cost Reduction Act of 1998, combined with the implementation of tier rating, have put us well on our way toward the promised restructuring of New Jersey's auto insurance system. In addition to providing an overall 15 percent reduction in premiums for New Jersey drivers, we adopted medical protocols that reduce overuse and fraud in the treatment of injuries from auto accidents, while ensuring that medically necessary treatment is provided to those who are truly injured. With assistance from the newly formed Personal Injury Protection Advisory Committee, we will continue to monitor these procedures. Tier rating has eliminated surcharges for motor vehicle violations and inexperienced drivers, and enhanced competition among insurers. Implementation of the basic policy encourages motorists who otherwise would be uninsured to obtain required insurance coverage. Expansion of urban enterprise zones continues to make auto insurance accessible to drivers in urban areas. We will continue this reform process with the Automobile Territorial Rating Plan Advisory Commission, which will redraw and amend the 50-year-old territory system.

As the industry became more competitive, we encouraged consumers to "shop around" for the best coverage at the best price. To help them, we provided concise, comparative information about New Jersey's auto insurers in the "Consumer Handbook on Tier Rating," a publication to educate consumers and empower them to shop comparatively and save.

During this time of change in the auto insurance market, the department was confronted with problems associated with managed care entities. The situations presented by the insolvencies of HIP Health Plan of New Jersey and American Preferred Provider Plan were difficult for everyone. Although it was unfortunate that these health plans could no longer continue as viable entities, it was because of the hard work by our dedicated employees that members were able to make a safe transition to other health care providers. Newly promulgated managed care regulations are better and

stronger. These new regulations, in conjunction with new laws promoting expedited billing and payment processes, will increase our ability to monitor New Jersey's managed care industry and provide a stronger financial safety net for our health care consumers and providers. On the life insurance side, Prudential Life Insurance Company of America, a New Jersey-based insurer, began exploring the possibility of "demutualization" following the enactment of a law in July 1998 that allows New Jersey-based mutual life insurance companies to convert to the stock form of organization. Prudential is the largest life insurance company in the United States with approximately 15 million policyholders. To protect policyholders and the public, the law requires the commissioner to review the demutualization plan when submitted and, in particular, examine the way in which Prudential will distribute approximately \$20 billion in stock, cash and policy benefits to its policyholders. Significant resources have been and will continue to be spent examining Prudential's business operations with regard to demutualization.

This past year also has been an active growth period for our financial services community. Our state-chartered banks continue to increase in number and prosper. Thirteen state-chartered banks have opened in New Jersey between January 1997 and March 1999. We are meeting the increased demands and providing the special care required to ensure that novice banks perform safely. We remain committed to consumer protection as well as maintaining the public's confidence in our financial institutions. We are preparing for the millennium by working to ensure that the banking and insurance industry in New Jersey is year 2000 compliant. Our reviews examine the industry providers, and assess their "interconnectedness" to related services and professions to ensure that our entities and the public they serve will be prepared to operate properly at the outset of the new millennium.



Linda Boone (seated), Thretha Crowley (standing, left) and Margarita Ficarra outside the commissioner's office.



KAREN SUTER
CHIEF OF BANKING AND INSURANCE OPERATIONS

Karen Suter joined the Department of Banking and Insurance in September 1998 after working for 17 years at the Department of Law and Public Safety, where she served as senior deputy attorney general providing legal services to the insurance department, the Real Estate Commission, the Unsatisfied Claim and Judgment Fund, the Individual Health Coverage Program, the Small Employer Health Benefits Program, and the Market Transition Facility. Ms. Suter oversees all banking and insurance operations. She works closely with the Commissioner on the design, development and implementation of all policies and procedures for the department, and takes the lead on high profile issues such as the liquidation of HIP Health Plan of New Jersey and the anticipated demutualization of Prudential Life Insurance Co.



J. PETER TRAUM
CHIEF ADMINISTRATIVE OFFICER

The chief administrative officer plans and implements all administrative activities within the department. This office maintains and controls budgeted appropriations and spending, develops the annual budget, and controls all administrative and fiscal operations of the department. This responsibility includes the oversight of the department's budget of \$57.9 million for fiscal year 1998-99, management of human resources for 485 employees and the provision of management information services, including year 2000 compliance for all department computer hardware and software. The chief administrative officer also serves as a link between the formation of policy development and the administrative execution of policy initiatives.



WINIFRED COMFORT
DIRECTOR, OFFICE OF PUBLIC AFFAIRS

The Office of Public Affairs oversees all public outreach and community education efforts by the department and produces informational literature about insurance, banking and real estate. The office is responsible for answering letters from citizens who have questions about department programs or complaints about regulated entities. This office also issues press releases and responds to all media inquiries.

DONALD BRYAN
ACTING DIRECTOR, DIVISION OF INSURANCE

Donald Bryan joined the department in 1982 and served in various capacities before becoming acting director of the Division of Insurance.

The Division of Insurance monitors the financial solvency of insurance companies and protects consumers from unlawful practices. Within the division are eight operational units: Property and Casualty, Life and Health, Anti-Fraud Compliance, Enforcement and Consumer Protection, Financial Examinations, Financial Solvency, Workers Compensation and the Unsatisfied Claim and Judgment Fund. The Individual Health Coverage (IHC) Board and the Small Employer Health (SEH) Benefits Board are also housed within the division.

In 1998, several units within the division worked toward implementation of the new auto insurance reforms, which for the first time in 25 years introduced competition into the market and enabled Gov. Whitman and the Legislature to slash rates an overall 15 percent. Meanwhile, other units within the division were mobilizing to help 194,000 enrollees in the HIP Health Plan of New Jersey find alternative health care coverage as HIP-NJ was placed first in supervision and then rehabilitation upon being declared insolvent by the court. Work continues into 1999 as the company is being liquidated.



JOHN TRAIER
DIRECTOR, DIVISION OF BANKING

John Traier joined the department in June 1994 and served briefly as acting commissioner of the Department of Banking in 1995-96 prior to the merger of the departments of banking and insurance. The Division of Banking charters, licenses and supervises nearly 6,500 financial entities. The Office of Depositories has authority over banks, trust companies and savings and loan associations. The Office of Consumer Finance oversees other financial services organizations, including credit unions, mortgage brokers and mortgage bankers, check cashers and pawnbrokers. In 1998, seven applications were filed for new community banks, almost double that of the previous year, a reflection of New Jersey's continuing strong economy.

Mr. Traier left the department on August 20, 1999. He was replaced by Nicholas Ketcha, who joined the department after more than 30 years with the Federal Deposit Insurance Corporation. He was appointed by Gov. Whitman on September 23, 1999, and is serving as acting director of the division pending Senate confirmation.



CONSUMER EDUCATION EFFORTS

During 1998 and on into 1999, New Jersey's banking and insurance consumers were the focus of a number of significant education campaigns as the department continues to elevate consumer education to a higher priority. Using communications tools such as press releases, the department's web site, radio and newspaper public service announcements, brochures and guides on regulated entities and their products and direct mail, we have reached consumers around the state to provide much-needed, accurate information on a variety of topics. We also dispatch staff to community town hall meetings and fairs and festivals to distribute materials and answer questions.

To introduce the new automobile insurance tier rating system, the offices of Public Affairs and Property and Casualty collaborated on the "Consumer Handbook on Tier Rating." This comprehensive handbook provides easy-to-compare charts of the tier rating system of every private passenger auto insurance company doing business in New Jersey.

The tier rating guide is packaged with the annual Auto Insurance Premium Comparison Survey prepared by Property and Casualty. The survey offers sample insurance premiums for each company, giving consumers a general guide on the wide range of prices available for auto insurance policies.

Health insurance consumers were the focus of a number of consumer education efforts. The Small Employer Health Benefits Program (SEH) and the Individual Health Coverage Program (IHC) combined distributed about 1,250 consumer guides each month during 1998. The Georgetown University Institute for Healthcare Research recognized the educational materials as model consumer guides. Staff from the two programs provided speakers for more than 30 community groups as well as public affairs television and radio programs.

During the latter part of 1998 through the beginning of 1999, tremendous resources were devoted to assisting 194,000 members of HIP Health Plan of New Jersey and 44,000 members of American Preferred Provider Plan, two HMOs that ceased operations. Some department staff was dispatched to the community to assist members find new health coverage, while others stayed back to handle calls on a special hot line. The department directed numerous mass mailings to all members of both HMOs to keep them apprised of their rights and the status of their benefits, and sent mailings to providers to keep them informed of the department's efforts on their behalf. We took out newspaper public service announcements and issued press releases to provide up-to-the-minute news on the closing out of the companies. The public education efforts and rapid response to the needs of consumers brought together the Office of Public Affairs, the Office of Enforcement and Consumer Protection, the SEH and IHC programs, the Office of Financial Solvency and staff as needed from other offices to work as a team on this massive education project.

As a sponsoring agency of the Coalition for Financial Education, the Division of Banking worked with the U.S. Treasury Department, higher education institutions, local school districts and social service agencies to develop and present consumer education programs for teens and for low-income families. The programs focus on basic financial education, money management skills and the responsible use of credit.

The New Jersey Real Estate Commission published a new consumer guide for owners, buyers and renters to explain what consumers should expect from their real estate professional and instructions on how to reach the commission to ask a question or file a complaint.

Tying all the department's consumer education efforts together is our award-winning web site. The department has had a presence on the worldwide web (www) since March 1995. It was the first New Jersey department with a home page and the third state insurance regulator in the United States to have a home page.

Visitors to the web site, averaging about 40,000 each month, can access more than 1,000 web pages of interest to consumers and regulators. Among the most popular areas are auto insurance shopping information, press releases, complaint ratios, premium comparisons for health, term life and homeowners insurance, bulletins and orders by the Commissioner, newsletters, regulations, lists of financial institutions and their addresses, and forms for real estate and insurance licenses.



Joyce Burris, receptionist for the department, answers one of the many calls from consumers.

CONSUMER FINANCE

The Office of Consumer Finance is charged with enforcing statutes and regulations intended to provide protections to New Jersey consumers in finance-related matters. The office accomplishes this through the licensure and regulation of 16 types of businesses that provide a variety of consumer financial services, through the investigation of complaints, and through enforcement actions as may be required. The office also bears responsibility for the regulation of state-chartered credit unions to ensure their compliance with applicable state and federal laws as well as their safety and soundness. The office has three bureaus: supervision, consumer services and enforcement.

In 1998, two major legislative initiatives advanced the protections of New Jersey consumers. On May 1, 1998, Gov. Whitman signed into law the New Jersey Money Transmitters Act that governs the licensure and regulation of businesses engaged in both the foreign and domestic transmission of monies for consumers, the sale of checks or other payment instruments, and the third-party payment of consumer bills for a fee. This new law provides the office with enhanced regulatory authority and replaces a 1907 law that regulated only foreign money remitters and a 1964 law that regulated check sellers. The enactment of amendments to the New Jersey Credit Union Act signed by Gov. Whitman on November 23, 1998 provided parity with federally chartered credit unions on issues such as field of membership expansions and interstate branching.



SUSAN TOTH
ASSISTANT COMMISSIONER

SUPERVISION BUREAU

Licensing services reviews all applications for new or renewal licenses for businesses providing consumer financial products, maintains a computer database of all essential license history information, maintains actual license history files for all licensees, verifies licensure of companies in response to telephone and written inquiries; and provides copies of licensing laws and listings of licensed businesses. In calendar year 1998, the office issued 2,420 new and renewal licenses and 4,389 mortgage solicitor registrations. As of December 31, 1998, the number of active licenses was 6,591 while the number of active registrations was 9,202. The chart on page five shows types of businesses that are subject to licensure as well as the numbers of licensed companies, branches and individuals.

The examinations unit conducts periodic on-site examinations of nine different types of licensees and of all state-chartered credit unions. Such examinations include a review of books and records to ensure that licensees are compliant with all applicable state and federal laws and regulations. Special attention is concentrated on licensee compliance with required surety bond and appropriate net worth and liquidity requirements. If overcharges of fees or unauthorized fees paid are charged to consumers, licensees are required to make refunds. Information on refunds to consumers as a result of the examination process is shown in the chart below. Credit unions also are examined to ensure that they are operating in a safe and sound manner. In calendar year 1998, 321 examinations were conducted including examinations of 297 licensees and 24 credit unions. During 1998, examinations of credit unions continued to focus attention on the progress credit unions were making in attaining year 2000 readiness. Licensees engaged in lending and servicing activities also were required to report their plans and progress in year 2000 readiness. Of particular importance in 1998 was the development of an examination for sales finance activity, one of the authorities available under the licensed lender license.

The surveillance unit collects and analyzes a variety of data contained in required annual report filings submitted by the licensed entities subject to examination. The section monitors data on levels of licensed activity, financial condition, net worth and surety bond compliance and produces reports that provide important statistical information showing business trends. The chart at right shows business activity for licensed lenders in calendar year 1997. Statistical data for 1998 is not yet available.

first mortgages	\$26,543,226
second mortgages	\$1,580,345
consumer loans	\$241,257
sales finance	\$11,179,362

CONSUMER SERVICES

Consumer services provides responses to consumer inquiries, both by telephone and in writing, concerning all types of financial transactions and conducts detailed investigations of all written complaints filed by consumers related to a wide variety of financial activities. Written responses to all complaints concerning New Jersey state-chartered commercial banks, savings

Number of Licensees by Business Category as of 12/31/98

TYPE	COMPANIES	INDIVIDUALS	BRANCHES	TOTALS
motor vehicle installment sellers	1,405		50	1,455
home repair contractors	516		13	529
home financing agencies	23		15	38
pawnbrokers	34		4	38
foreign money remitters ¹	61		58	119
check cashers	174		107	281
home repair salespersons		484		484
insurance premium finance cos.	65		0	65
check sellers ²	17		0	17
debt adjusters	10		5	15
licensed lenders ³	1,151	1,233	1,140	3,524
foreign money transmitters ¹	14		1	15
money transmitters ²	11		0	11
TOTALS	3,481	1,717	1,393	6,591

¹ The conversion of licenses previously issued under the former Foreign Money Remitter Act to either Foreign Money transmitter licenses or money transmitter licenses under the new Money Transmitter Act is still in process. As a result, numbers continue to appear in both the old and new categories of licensure.

² The conversion of licenses previously issued under the former Check Seller Act to money transmitter licenses under the new Money Transmitter Act is still in process. As a result, numbers continue to appear in both the old and new categories of licensure.

³ Licensed lenders licenses have the potential for four different business authorities: a) mortgage banker or correspondent mortgage banker or mortgage broker, b) secondary mortgage lender, c) consumer lender, d) sales finance company.

A breakdown of the number of each of the authorities is not currently available.

banks, savings and loan associations, and credit unions as well as all businesses licensed by the Division of Banking are directed to complainants upon the conclusion of each investigation. Complaints and inquiries concerning institutions, statutes, or subjects that are not within the jurisdiction of the Division of Banking, are referred to appropriate federal and state agencies. In 1998, consumer services received and assigned 2,267 cases and closed 2,082 cases. Another 530 complaints and inquiries were referred to other agencies for consumer assistance. Information derived from the investigation of complaints about regulated entities assists the examinations unit in establishing priorities for on-site examinations, in disclosing unlicensed activities and violations of law for referral to the enforcement unit, and in identifying potential changes needed in New Jersey statutes and regulations to ensure better consumer protections. The refunds received by consumers as a result of the work of the bureau is contained in the chart shown below.

ENFORCEMENT

The enforcement unit conducts detailed investigations of all businesses that are either licensed or that should be licensed by the Division of Banking and takes a variety of enforcement actions for violations of applicable laws and regulations. Referrals of potential violations are received from outside sources, including other licensed businesses, state and federal regulatory agencies, and other areas within the department. The enforcement unit investigates unlicensed activity, advertising violations and unresolved issues of regulatory concern generated by examinations, surveillance, licensing or consumer complaints. Also the unit investigates net worth deficiencies, surety bond cancellations, surety bond deficiencies, consumer claims against surety bonds of licensees, failure by licensees to file required reports and all other potential violations of laws, and regulations enforced by the Division of Banking. In 1998, the unit received and opened 792 cases and closed 666. Thirteen orders were issued and became final. As a result of the activities of the enforcement unit, the state collected \$84,725 in fines and penalties, \$114,955 in previously unpaid examination bills and \$64,680 in dishonored checks. The amount returned to consumers based upon the unit's actions in making claims against the surety bond held by licensees is shown in the chart at right.

Refunds to Consumers

	1997	1998
from consumer services	\$260,198	\$440,853
from examinations	\$90,047	\$188,299
from enforcement		\$12,083
TOTALS	\$350,245	\$641,235

OFFICE OF DEPOSITORIES

The Office of Depositories processes and reviews applications by depository institutions for new charters, branches, relocations, plans of acquisition, mergers, bulk sales, stock conversions and auxiliary offices. In addition, the office is responsible for the examination of state-chartered commercial banks, savings banks and savings and loan associations and for enforcement actions. There are several different types of examinations; safety and soundness examinations focus on the financial condition, consumer compliance activities and operational areas of a financial institution. Specialized examinations target other activities of financial institutions such as trust operations, electronic data processing departments and servicers, and holding companies. The office takes enforcement action in response to unsafe and unsound procedures or when the quality of asset holding or the level of capital or profitability are deemed inadequate.

In 1998, the Office of Depositories examined 16 of the 47 state-chartered commercial banks in New Jersey. The assets of the examined banks amounted to \$34.5 billion, or approximately 79.4 percent of the total for all 47 banks. The office examined five of the state's 28 savings banks, with combined assets of \$3.5 billion, or approximately 16.4 percent of the statewide total. The office examined three of the 13 limited-purpose trust companies. In addition, the office conducted examinations of 10 state-chartered savings and loan associations, with \$3.9 billion in assets representing approximately 60 percent of the assets of all New Jersey state-chartered associations. Also during this period, the office performed several specialty examinations, including three trust department examinations, 20 electronic data processing examinations and 13 holding company examinations.

The Office of Depositories shares examination responsibilities with three federal agencies—the Federal Reserve, the Office of Thrift Supervision (OTS), and the Federal Deposit Insurance Corporation (FDIC). Banking institutions are inspected generally once every 12 to 18 months, with the Office of Depositories alternating those examinations with an institution's appropriate federal regulator. Occasionally state and federal regulators conduct joint or concurrent examinations.

National banks are regulated and examined by the Comptroller of the Currency and membership in the Federal Reserve system is required. For state-chartered banks, membership in the Federal Reserve system is optional. State-chartered commercial banks that are members of the Federal Reserve system are examined by the Office of Depositories and by the Federal Reserve. State-chartered commercial banks and savings banks that are not Federal Reserve members are examined by the Office of Depositories and the FDIC. Federally-chartered savings and loan associations are regulated and examined by the OTS. All state savings and loan associations are examined by the Office of Depositories and by the OTS.

With the strong New Jersey economy, the office has seen a significant increase in new community bank charters. In 1998 the office received seven applications for new community banks compared to four in 1997. Through the first six months of 1999, the office received another seven community bank applications. Thirteen state-chartered banks have opened between January 1997 and March of 1999, creating more than 225 jobs and more than \$200 million in loans. The Office of Depositories is meeting the increased demands of the newly chartered state banks as it monitors them to ensure that they perform safely.



FRANCIS P. CARR
ASSISTANT COMMISSIONER



Jill Breslin, supervisor of licensing,
reviews some paperwork with Frank
Ashe, managing examiner.

ADVISORY BOARDS

The Credit Union Advisory Council advises the Commissioner on matters pertaining to the chartering, operation, and supervision of credit unions. The council has five members who are members of the state-chartered credit unions of New Jersey. Each is appointed by the governor, with the advice and consent of the Senate.

The Banking Advisory Board advises the Commissioner on banking matters, legislation and departmental procedures.

The Community Financial Services Advisory Board makes recommendations for assisting institutions in meeting community credit needs.

The Licensed Lenders Advisory Board assists in developing educational requirements for licensees to help mortgage lenders meet the needs of consumers and to provide consumers with information about mortgages and lending.

Credit Union Advisory Council

Jill Porchick, Bakelite Employees Credit Union
 Ronald Suback, NJ Law & Public Safety Credit Union
 Francis DePiano, State Credit Union
 Andrew L. Jaeger, NJ Department of Transportation Credit Union
 Shirley Spruill, Renaissance Community Development Credit Union

Banking Advisory Board

Bernard Berkowitz, Esq., Public Member
 Joseph S. Paparatto, Norcrown Bank
 Christian M. Abeel, Fleet Bank
 George E. Scharpf, Amboy National Bank
 Victor M. Richel, Statewide Financial Corporation
 Preston D. Pinkett III, PNC Bank, N.A.
 Suzy M.C. Chichester, Public Member
 Beatrice D'Agostino, Public Member
 Bernard Berkowitz, Esq., Public Member

Community Financial Services Advisory Board

Jane Kenny, Department of Community and Urban Affairs
 Gualberto Medina, NJ Commerce & Economic Growth Commission
 Natale T. Buono, Jr., Penn Federal Savings Bank
 Patrick Grant, Investors Savings Bank
 Anne S. Li, New Jersey Community Loan Fund
 Susan Martin Zellman, Housing Partnership for Morris County
 Frank Piazza, Jr, Plainsboro Non-Profit Housing
 Henry Johnson, City News
 Diane Sterner, Affordable Housing Network
 Carolyn Giberson, Roebing Bank
 James Wujcik, Sovereign Bank

Licensed Lenders Advisory Board

Burt P. Augustensen, Burt P. Augustensen Mortgages
 J. Brian Moran, Parkway Mortgage Inc.
 E. Robert Levy, Esq., Mortgage Bankers Association
 Joseph G. Zinman, Aurora Financial Group Inc.
 Angela Tartell, Newark, Public Member
 Mary Majewski, Esq., Hopatcong, Public Member

ENFORCEMENT AND CONSUMER PROTECTION

The Office of Enforcement and Consumer Protection monitors compliance of producers, public adjusters and insurers with New Jersey's insurance laws. It has five units; consumer protection, market conduct, enforcement, insurance education and licensing.

CONSUMER PROTECTION

The consumer protection unit accepts complaints and inquiries from the public regarding insurance related problems. Upon receipt of written complaints, the unit investigates the activities of licensees to determine if they are complying with insurance statutes and regulations. Violations are documented and referred to the enforcement unit for possible administrative action. Information contained in the complaints is often used to determine whether a market



PAUL DEANGELO
ASSISTANT COMMISSIONER

conduct examination of an insurance company should be conducted.

During 1998, the unit opened 10,619 complaints and resolved 11,131, including investigations that started the previous year. The efforts of the staff resulted in the payment by insurers of more than \$4.7 million in additional benefits to consumers.

The consumer protection unit also handles hundreds of insurance inquiries daily. In 1998, many of these telephone calls from the public were requests for information about private passenger automobile tier rating. Working with the Office of Public Affairs, the consumer protection unit conducted intensive staff training and provided information and a consumer guide. The efforts helped alleviate public confusion about the new rating system and assisted consumers in identifying and understanding their risk characteristics so they could shop for the best auto insurance rates.

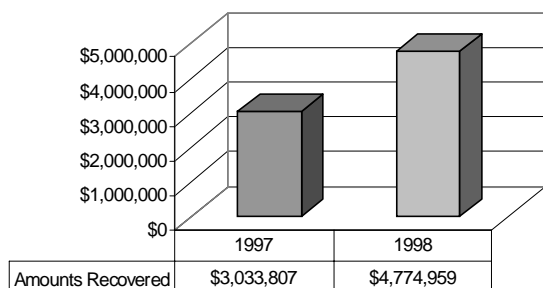
The consumer protection staff also assisted in handling problems

and telephone calls from members of HIP Health Plan of New Jersey regarding their health benefits. HIP-NJ, an HMO, came under administrative supervision in 1998. In a coordinated effort with the Department of Health and Senior Services (DOHSS), the consumer protection staff ultimately established a special call center when HIP was liquidated in 1999 to answer HIP member questions and conduct a telephone outreach program to help former HIP members find coverage through other health plans.

The department also helped DOHSS move 32,000 members of American Preferred Provider Plan, all Medicaid recipients, to Horizon Health Care of New Jersey, after APPP was declared insolvent in December 1998.

In addition to the amounts recovered for consumers depicted in the chart, an additional \$16.5 million was refunded to claimants by Prudential Insurance Company in 1998 as the company began to issue relief checks as part of its Alternative Dispute Resolution (ADR) Program, created by a market conduct examination led by New Jersey's market conduct unit.

Amounts Recovered For Consumers



LICENSING UNIT

The licensing unit reviews license applications and issues licenses to insurance producers and public adjusters. It also responds to all inquiries concerning licensing requirements. During 1998, this unit processed 14,720 initial producer license applications, representing a 25 percent increase over 1997. Licensing also processed 115,990 company appointments, 4,180 registrations of limited-line representatives and 26,610 letters of certification for producers seeking licensure in other states. In an effort to increase the efficiency of this unit, staff began to explore options during the year to enhance the technological components of the licensing process.

MARKET CONDUCT

The market conduct unit examines life, health, property and casualty insurance companies and HMOs. The examiners conduct reviews of company files, records and advertising to determine if business is being conducted according to insurance laws and regulations. In addition, they conduct computer database analyses of the insurers' complaints, claims and the policies issued. The examinations are designed to ensure that consumers are treated fairly by companies. Each examination report outlines problems and violations, and recommendations include a plan for corrective action.

Exams conducted during 1998 included property/casualty insurers, life, health and an HMO. In addition, for the first time, the market conduct unit conducted an examination of a surplus lines company. Surplus lines companies are not subject to many of the laws and regulations that apply to other insurers. Verifying compliance with the laws by surplus lines agencies is an important enforcement tool for the protection of consumers.

During 1998, the unit continued to examine companies for compliance with auto insurance laws. In addition, the market conduct unit completed follow-up exams on certain companies it examined previously to assure that violations discovered during the first exam had been corrected.

Market conduct examination reports have resulted in recoveries for insureds and claimants, as well as reversals of improper policy terminations and other company actions. Exams of five life and health insurers, seven property/casualty insurers, an HMO, a surplus lines agency and a bail bond company are scheduled during 1999.

ENFORCEMENT

The enforcement unit pursues administrative action against licensees who violate insurance laws and regulations. In 1998, the data recording and tracking capabilities of the unit were greatly increased by the implementation of a new enforcement tracking system. Some of its features include the real-time processing of data, direct control of license issuance and on-line tracking of legal notices, fine payments and file location.

Another highlight for 1998 was the judgment in excess of \$1.1 million against a former producer for multiple violations of New Jersey insurance laws and regulations, including transacting insurance business after the revocation of his producer's license. The former producer was named in a 15-count criminal indictment.

Information about administrative action against licensees can be obtained by contacting the unit or visiting the web site at www.naic.org/nj/enfcon.htm.

FINES	1997	1998
total fines	82	144
producer	64	134
company	18	10
total dollar amount	\$1,004,150	\$1,898,989
PRODUCER LICENSE ACTIONS		
revocations	58	42
suspensions	4	1
OTHER ACTIVITIES		
letters of censure	27	57
orders to show cause	31	16

INSURANCE EDUCATION

Insurance producer education includes pre-licensing and continuing education. Pre-licensing education requires the completion of a prescribed course of study. In 1998, 60 insurance education schools were newly approved or renewed, bringing the total to 285.

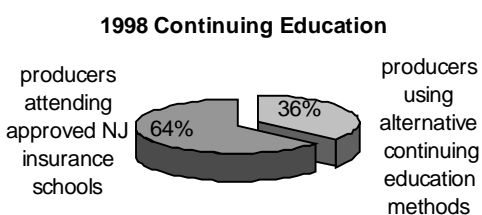
During the same period, the insurance education office revised the life, health, property/casualty, and title insurance examinations and assisted the prelicensing insurance schools and individuals who received waivers from schooling with the upgrade of the curricula to coincide with the new examination content.

Continuing education requires completing 48 continuing education credits as a prerequisite to renewing the resident producer insurance license every four years. Producers may accumulate credits by completing courses through approved New Jersey insurance schools. In 1998, the insurance education office approved 858 continuing education courses, bringing the total to 8,142. Twenty courses were monitored for compliance.

As an alternative to attending courses, producers may pass advanced insurance examinations that lead to an insurance designation or may maintain insurance designations that have continuing education requirements. In 1998, the insurance education office assisted 2,912 producers obtain continuing education credits through advanced insurance designation curricula/examinations.

The insurance education office provided counseling and credit processing services to the insurance producers to promote professionalism in the industry. Of the 8,057 resident insurance producers who renewed in 1998, 36 percent completed credits through the alternative method with the direct intervention of the insurance education office.

The insurance education office is committed to assuring that insurance education is available in our state. An educated insurance force better serves New Jersey insurance consumers.



PROPERTY AND CASUALTY

The Office of Property and Casualty is charged with the regulation of rates, rules and forms for property/casualty insurance. (The term "form" refers to insurance policy contracts, applications, endorsements, etc., used by insurers and advisory organizations in the state). The rate and rule review process ensures that companies charge rates which are adequate to pay claims while not being excessive. The policy form review ensures that forms comply with statutes, regulations and departmental guidelines.

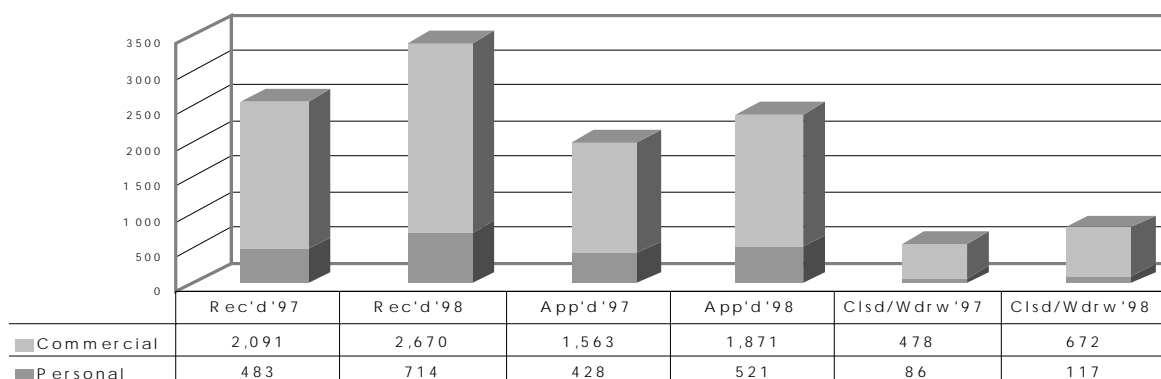
The section regulates personal, commercial and title insurance sold in New Jersey. The section monitors companies to make sure they have not incurred an excess profit in private passenger automobile insurance and maintains statistics on all lines of insurance.

In 1998, the Office of Property and Casualty received 3,384 filings of rates, rules and policy forms – 2,670 for commercial lines and 714 for personal lines. The office approved 2,392 filings, disapproved 16 filings and closed or withdrew 789 filings. Filings reviewed in 1998 included both the filings received in 1998 as well as 248 filings received prior to January 1, 1998, but which had remained under review at the close of the previous year. As of December 1998, 435 filings remained under review.



WILLIAM G. RADER
ASSISTANT COMMISSIONER

Trend Analysis of Filings 1997-1998



AUTOMOBILE INSURANCE COST REDUCTION ACT

The automobile insurance reforms of 1998 provide for an overall 15 percent reduction in auto insurance rates. The reform measures provided for several cost-saving modifications to the existing system, including the creation of a basic automobile insurance policy in addition to a standard automobile insurance policy.

At a reduced cost, the basic policy provides personal injury protection (PIP) medical expense benefits with a policy limit of \$15,000 for all injuries, except that serious and permanent spinal cord and brain injuries are covered up to a maximum of \$250,000. Insureds who select the basic policy are covered up to \$5,000 for property damage liability and have the option to purchase bodily injury liability coverage of \$10,000. This policy is subject to the lawsuit threshold.

The standard policy provides PIP medical expense benefits with a limit up to \$250,000 for all injuries, with the option to purchase lower limits of \$15,000, \$50,000, \$75,000 or \$150,000 at lower cost, except that serious and permanent spinal cord and brain injuries are covered up to a maximum of \$250,000. The standard policy provides property damage, bodily injury liability insurance and uninsured motorist coverage, and the insured has the option of either the lawsuit or no limit on lawsuit threshold.

Reform measures also provide for medical protocols and precertification of certain medical treatments as a means to provide quality medical treatment at a reduced cost.

TIER RATING PLANS FOR PRIVATE PASSENGER AUTO

Based on legislation passed in June 1997, all private passenger auto insurers were required to stop surcharging flat dollar amounts based on motor vehicle violations and at-fault accidents. Instead, companies were allowed to define a series of "rating tiers," which allow greater reliance on individual risk characteristics for determining premium cost and insurability within a particular tier. Factors used to determine premium are not necessarily limited to prior driving history. Tier rating is designed to be revenue neutral while allowing greater flexibility in charging a rate that reflects the actual risk.

Companies that filed tier-rating plans were required by law to define the standard tier, absent any other risk characteristics, as drivers with six or fewer motor vehicle points. A company could then file preferred (lower rated) or substandard (higher-rated) tiers based on additional risk characteristics. Risk characteristics important to one company may not be as important to another, which is why it is essential to shop around for the best rate. The department has approved tier-rating plans for 66 automobile carriers.

During the period in which the reform measures were being analyzed and implemented, property and casualty provided assistance to various units within the Department of Banking and Insurance and ultimately the public as a whole. At the same time, the staff assisted the Office of Public Affairs by compiling data for the homeowners and automobile price comparison reports, as well as the "Consumer Guide on Tier Rating." A list of those insurers offering tier-rating programs is posted on the department's internet web page.

The statistical unit provided assistance to the Unsatisfied Claim and Judgment Fund in the calculation of annual assessments levied against all insurers in New Jersey. The staff also assisted the Office of Legislative and Regulatory Affairs by reviewing the law that implemented the Automobile Insurance Cost Reduction Act, as well as those laws that implemented tier rating. Technical assistance also was provided to the Office of Financial Examinations and the department's Admission Committee on Rating Systems proposed by first-time insurers seeking to write new business in New Jersey.

During this busy period, the office of Property and Casualty continued to provide the department with the "Automobile Coverage Option Report," the "Voluntary Automobile Exposure Report," the "Automobile Primary Classification Report" and other reports as they were requested. The staff also was involved in a cooperative effort with the Department of Community Affairs in the area of hurricane loss mitigation standards on homeowners insurance.



Sam Smulyan of Property and Casualty talks on the telephone at his desk.

EXCESS PROFITS

The office received 61 excess profits group reports from automobile insurers in 1998. Of these, three insurers reported excess profits and were required to provide refunds to policyholders. State Farm Indemnity Insurance Company refunded \$38 million, the Hartford Group refunded \$2.5 million and Harleysville-Garden State refunded \$3 million in excess profits to policyholders.

RESIDUAL MARKET

As of December 31, 1998, the Personal Automobile Insurance Plan (PAIP), which is the residual market for insureds who are not eligible for voluntary market personal automobile coverage, was 2.4 percent of the entire personal automobile market.

RECORD REQUESTS

The section received 429 requests for records in 1998. These requests are made by insurance companies, law firms and the general public to review filings that have been submitted to the department for approval. All requests received in 1998 were processed and resolved by year's end.

LIFE AND HEALTH

The Office of Life and Health reviews approximately 18,000 requests per year for approval of life and health policies and rates. The office regulates all managed care entities in New Jersey, including health maintenance organizations and dental plan organizations. It reviews annually the reserves of all life and health insurance companies with headquarters in New Jersey.

Applications by life and health insurance companies to transact business in New Jersey are reviewed by the office. The office regulates all health "joint insurance funds" operating in New Jersey. Staff includes actuaries and insurance analysts.

HEALTH

The health unit is responsible for the review and approval of individual and group health insurance contracts and rates within the department's jurisdiction.

The health unit reviews all individual health contracts for disability, long-term care, Medicare supplement, accident-only, hospital confinement indemnity, dental care and vision care. The unit also reviews and approves rates for such coverages in the individual market. Legal services insurance is also regulated by the health unit.

With the exception of group hospital-medical contracts sold to small employers, the unit is responsible for the review of all group health insurance contracts, including subscriber contracts, group contracts and evidence of coverage forms issued by health maintenance organizations. Health benefits plans utilizing selective contracting arrangements also are reviewed for approval. The department does not regulate rates in the large group health insurance market except for Medicare supplement.

The unit adopted amendments to its Medicare supplement regulations on an emergency basis in December 1998 to provide expanded portability and guaranteed issue to Medicare enrollees on an expedited basis pursuant to the federal Balanced Budget Act of 1997. The amendments limited the ability of Medicare supplement carriers to apply a pre-existing condition waiting period, added two new options to the 10 Medicare supplement plans and expanded guaranteed issues to individuals losing coverage because of a withdrawing carrier.

The unit reviews insurer requests to issue group life or group health insurance contracts to groups which are not specifically described in law as eligible. Authority to issue such contracts is granted by the unit when appropriate.

In 1998, the health unit processed 293 rate actions on health coverages, including medical expense, disability income, hospital confinement, Medicare supplement and accident-only coverages. The unit also processed 6,702 policy forms. One new company was approved to write individual long-term care insurance.



GALE SIMON
ASSISTANT COMMISSIONER

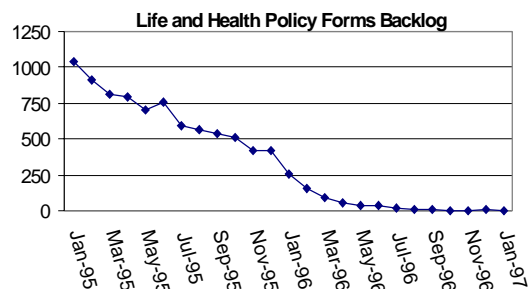
Health Bureau Rate Actions

	1997	1998
approvals	89	67*
disapprovals	203	165
withdrawals	125	61
TOTAL ACTIONS	417	293

*includes 12 rate decreases

LIFE

The life unit is responsible for the review and approval of life insurance forms, annuity contracts and synthetic guaranteed investment contract (GIC) forms issued in New Jersey to ensure that they comply with insurance laws and regulations. This review includes individual and group forms, separate account contracts and credit insurance. The unit regulates the rates for credit insurance and rate changes for indeterminate premium forms where the insurer reserves the right to change premiums. The unit approves separate accounts for domestic insurers and reviews forms necessary to implement rehabilitation plans and restructure policies to conform to the terms of such plans.



The life unit processed 10,950 policy forms in 1998 and reviewed 494 rate change requests for indeterminate premium policies, universal life policies, and other types of life insurance with flexible charges. The unit also processed 21 requests for credit insurance rate deviations. The unit reviewed and approved four new separate accounts for domestic insurers, and eliminated life and health policy forms backlog (see chart at left).

In 1998, the unit proposed and adopted a life insurance illustrations regulation which protects consumers and promotes educated insurance choices by mandating standards, formats and disclosures for life insurance illustrations.

The regulation promotes the use of understandable and accurate illustrations and reduces the likelihood that consumers will be presented with misleading or confusing information.

VALUATION

The valuation unit values the reserve liabilities of domestic life insurers and issues certificates of valuation. The unit also works with the Office of Financial Examinations in reviewing reserves of companies under examination.

The valuation unit chairs the committee that reviews admission applications of life and health insurance companies and the committee that reviews applications to form municipal and school board health joint insurance funds. The unit reviews life reinsurance and assumption agreements, reviews applications from charitable organizations seeking special permits to issue charitable annuities and monitors the ongoing operations of health joint insurance funds and special permit holders.

In 1998 the valuation unit valued reserves of \$150.7 billion for the 10 life insurance companies headquartered in New Jersey. The unit also assisted in the financial examination of Prudential Insurance Company of America and Pruco Life Insurance Company of New Jersey.

The valuation unit also acted on 35 applications for admissions, extensions of authority and special permits to issue charitable annuities. The unit monitored the operations of six municipal health joint insurance funds, which included more than 80 member municipalities, three school board health joint insurance funds with close to 50 member school boards, and 97 special permit holders.

Life and Health Admissions Activity

	1997	1998
admissions	10	5
extensions of authority	9	8
special permits	25	17
re-domestications	2	1
deferrals	1	1
withdrawals	5	3
TOTAL	52	35

MANAGED CARE

The managed care unit is responsible for the financial regulation of all managed health care plans including health maintenance organizations (HMOs), dental plan organizations (DPOs), workers compensation managed care organizations (MCOs), prepaid prescription service organizations (PPSOs) and selective contracting arrangements (SCAs).

The unit reviews applications for certificates of authority from HMOs, DPOs and PPSOs, and reviews applications for approval of SCAs and MCOs. The unit also monitors the financial operations of the managed care plans, reviews acquisitions and mergers involving HMOs and assists the Office of Financial Examinations with the examination of HMOs.

As of year-end 1998, the managed care unit was responsible for the supervision of 28 HMOs with total membership of 2.4 million and total premiums of \$4.5 billion. The unit also regulated 20 DPOs and 19 MCOs.

During 1998, the unit assisted with the examination of four HMOs and worked on the rehabilitation of two HMOs. To avoid future HMO insolvencies, the unit expended substantial effort in 1998 to develop initiatives to improve the department's monitoring of the financial condition of HMOs operating in New Jersey. The unit participated in a public policy forum convened by the Commissioner in December 1998 to solicit information from the health care industry, HMOs and the public on methods to improve the department's oversight of the financial condition of New Jersey HMOs. The initiatives discussed included;

- increasing frequency of submission of actuarial certification of an HMO's reserves from an annual to a quarterly basis,
- mandating on-site pre-operational audits of the operations and financial controls of HMOs,
- increasing the amount of funds an HMO must have on deposit with the department,
- requiring that a minimum amount of an HMO's assets be in the form of cash or cash equivalents,
- imposing more stringent requirements on parental guarantees of an HMO's minimum net worth.

As a result of the policy forum, amendments to the HMO regulations have been proposed, adopted and implemented making the New Jersey financial requirements for HMOs the most stringent in the United States.

With respect to HIP, the unit devoted substantial resources to drafting the multiple notices to members, contractholders, brokers, providers and the public, advising of the status of HIP during the various stages of the receivership. The unit was involved in the negotiation of the sale of HIP's Medicaid business and assisted the department employees who staffed the HIP call center in providing accurate and timely responses to inquiries from the public. The unit participated in developing and implementing the transition plan for HIP members that required replacement carriers to cover ongoing care with HIP providers for 30 to 120 days after expiration of HIP coverage. Finally, the unit assisted in training 120 state employees who were located at the 23 HIP health centers to respond to member inquiries.

The unit also devoted substantial efforts to assisting seniors who lost Medicare supplement coverage due to the withdrawal of their HMOs from the Medicare market. The unit assisted in the preparation and dissemination of information to these individuals advising them of their rights to and the availability of coverage as well as the impact of gaps in coverage.

Finally, the unit delivered a financial training program to HMO chief financial officers, participated in the Health Care Quality Act Task Force to develop regulations and attended several meetings of the Interstate Managed Care Work Group (NJ, NY, PA, DE and MD).

FINANCIAL EXAMINATIONS

The Office of Financial Examinations monitors the financial condition of more than 1,600 insurers and other risk-assuming entities doing business in New Jersey. In addition, it has the responsibilities of certification of premium taxes and assessments, licensing of property and casualty insurance companies, and monitoring of self-insurers for workers compensation and motor vehicle liability. Financial examinations includes the surplus lines examining office which oversees eligible surplus lines insurers, producers and the collection of premium taxes of such entities. Joint insurance funds and risk retention and purchasing groups also are under the purview of this office.



KAREN E. MITCHELL
ASSISTANT COMMISSIONER

FIELD EXAMINATIONS AND FINANCIAL ANALYSIS

The Office of Financial Examinations is the primary regulator for the financial oversight of domestic (incorporated in New Jersey) insurance companies. In addition, this office provides financial surveillance over out-of-state and international insurers authorized or eligible to conduct business in the state of New Jersey. In order to provide regulatory protection for the residents of New Jersey, the office monitors the financial performance and business affairs of the companies under its responsibility on a continuous basis. It assists the entities in maintaining financial health where possible and, where solvency is threatened, is prepared to recommend the suspension or revocation of authority to conduct business in New Jersey.

The financial analysis unit conducted more than 500 in-depth analytical reviews in 1998. These analytical reviews are generally conducted on a quarterly basis and more frequently when necessary. The implementation of an automated financial analyst handbook and tools has resulted in the analytical reviews being more timely and efficient in 1998. The unit also reviewed more than 150 Form D filings. Such filings are required to be submitted to the department by domestic insurers prior to entering into agreements or other transactions with an affiliate. This unit assisted in the financial review of five withdrawal applications during 1998.

The field examinations unit conducted 15 on-site financial condition examinations of the operations of domestic insurance companies in 1998. In addition, this unit conducted on-site examinations of five other entities which included joint insurance funds, a joint underwriting association and a workers compensation trust. In 1998, the unit also commenced target examinations of all domestic insurance companies and health maintenance organizations for year 2000 readiness. Those designated high-priority commenced in December 1998, and all remaining entities were to be completed by the end of 1999.

The financial examinations staff reviewed the filings and coordinated the public hearings for six acquisitions of control of domestic insurers in 1998. They included the acquisition of North River Insurance Company by Fairfax Holdings, Ltd., the acquisition of Zurich Insurance Company by BAT Industries, the acquisition of Camden Fire Insurance Company by Commercial Union, plc., the acquisition of Citicorp Indemnity Insurance Company by the Travelers Corporation, the acquisition of Property-Casualty Company of MCA by Martin Beitler, and the acquisition of Universal Bonding Insurance Company by Lumbermen's Mutual Insurance Company.

LICENSING

The department licensed 13 out-of-state and three newly formed domestic property and casualty insurance companies in 1998. Several insurers lost their approved license status for various reasons, including withdrawals, mergers, rehabilitations or liquidations. The chart is a breakdown of licensed insurers in the state as of December 31, 1998.

Type	Domestic	All Others
property-casualty/title	76	621
hospital/medical/dental	4	0
life/fraternals	14	457
TOTALS	94	1,078

Legislation passed in 1993 created a new category of insurer in New Jersey called an accredited reinsurer. As of December 31, 1998, 34 accredited reinsurers operated in New Jersey.

In compliance with P.L. 1995, c.384, this office published a list of U.S. Treasury-listed surety companies that seek to provide payment for performance bonds as required by the applicable statute. The listing also includes surety companies that are not treasury-listed that seek to provide payment for performance bonds and satisfy the alternative requirements established by the department as set forth in N.J.A.C. 11:1-41. The listing includes 116 companies that requested to be listed by the department in accordance with this regulation.

SELF INSURERS

The office also is responsible for approving and monitoring those companies or corporations applying for authority to self-insure their workers compensation programs. The office approved three new self-insurers in 1998. There are currently 190 entities authorized to self-insure.

During 1998, the department granted no additional certificates to motor vehicle self-insurers. One company withdrew. At the end of 1998, staff was administering and monitoring 16 motor vehicle self-insurers, each of which received certificates of exemption.

TAX ANALYSIS

The tax analysis unit is solely responsible for the audit and certification of a variety of insurance company taxes, fees, surcharges and assessments. Regular premium taxes, excluding ocean marine taxes, collected by the division of taxation in fiscal year 1998 amounted to more than \$300 million.

The tax analysis unit's responsibilities under the Fair Automobile Insurance Reform Act includes audits of the annual surtax and the New Jersey Property/Liability Insurance Guaranty Association (PLIGA) premium assessments. A recalculation to correct the true-up assessment done on July 31, 1998 resulted in collections by PLIGA of approximately \$9 million. These funds have and are being used to reduce the deficit of the New Jersey Automobile Full Insurance Underwriting Association.

The tax analysis unit is also responsible for the assessment data required to assist the Commissioner in collecting monies for the PLIGA surcharge. This fund is the basic property-liability insolvency fund used for the protection of policyholders of insolvent insurance companies. This year's assessment was approximately \$50 million imposed on more than 250 insurance companies.

The office also oversees the proper use of monies received from the two percent tax on out-of-state fire insurance companies (N.J.S.A. 54:17.1 and 18.1 et seq.). A 1988 court order gave the department the responsibility for monitoring the activities of more than 530 local New Jersey Firemen's Relief Associations to ensure that the monies they receive from the insurance companies are used for purposes allowed by statute.

SURPLUS LINES EXAMINING OFFICE

The surplus lines examining office oversees the activities of eligible surplus lines insurance companies writing business in New Jersey and insurance producers with surplus lines authority. Surplus lines insurers are generally limited to writing policies for individuals, corporations and other entities that cannot obtain coverage from licensed companies. The unit head is also the Commissioner's representative at meetings of the New Jersey Horse Racing Injury Compensation Board.

Although surplus lines carriers are not required to be licensed, they must meet financial standards to be eligible to write business. Each new surplus lines insurer's request for eligibility is subject to a comprehensive and intensive admissions committee financial and corporate review and the Commissioner's approval prior to receiving a certificate of eligibility. In 1998, 14 additional insurers were approved and issued a certificate of eligibility, increasing to 89 the number of insurers eligible to transact surplus lines business in New Jersey at the end of 1998.

Surplus lines business written through licensed New Jersey surplus lines agents during fiscal year 1998 totaled \$259 million. The surplus lines examining office collected \$9.1 million from surplus lines producers and insurers through a 3 percent premium tax.

Additionally, the surplus lines examining office is responsible for collecting and processing direct procurement taxes and for collecting taxes when insurance placements occur without a New Jersey surplus lines agent being involved. These placements may result in referrals to the department's enforcement division.

Specified surplus lines policies written in the state by eligible surplus lines insurers are covered by the New Jersey Surplus Lines Insurance Guaranty Fund. The fund was financed through a one-time \$25,000 eligible assessment on each listed surplus lines carrier and policyholder gross premium written surcharges of 4 percent. The surcharge was suspended indefinitely as of August 1, 1993 with sufficient reserves to handle all obligations. Funds on hand remain adequate and no resumption of the surcharge is anticipated in the near future.



Davin Gilmore, an insurance examiner, tallies up some figures during a recent examination.

Newly eligible companies must pay the assessment. However, it is returned after six months. This policy is subject to change, based upon the requirements of the guaranty fund.

During 1998, the surplus lines examining office, in conjunction with the market conduct unit, began market conduct examinations of surplus lines agents. Additionally, the surplus lines examining office has continued to assist in the drafting of rules and regulations for surplus lines placement and policy forms to implement 1996 amendments to the surplus lines law.

JOINT INSURANCE FUNDS

Joint insurance funds (JIFs) chartered in New Jersey are created under insurance, municipal, education and public higher education statutes. JIFs are formed to establish programs combining liability, property damage and workers compensation insurance risks. JIFs also can be formed to provide health insurance and to cover environmental impairment exposures. By December 31, 1998, the department had approved 40 property and casualty funds that included 27 municipal, 11 school board, one environmental and one community college fund. Additionally, the department approved six health joint insurance funds for municipal groups and three for school boards.

RISK RETENTION AND PURCHASING GROUPS

Risk retention groups insure for liability coverage. A risk retention group must be chartered as an insurer in one state and registered in the other states in which it does business. Purchasing groups comprise members with similar liability insurance exposures. Insurance is usually purchased on a joint or group basis to cover the common liability exposure. As of December 31, 1998, 42 risk retention groups and 259 purchasing groups were recognized as officially registered.



Raymond Conover, chief insurance examiner, talks to insurers as part of his daily duties.



LISA R. LEVINE
DIRECTOR

FINANCIAL SOLVENCY

The Commissioner has the authority to rehabilitate or liquidate domestic property/casualty or life/health companies and to engage deputy receivers to assist in the task. The Office of Financial Solvency reviews the monthly reports, annual budgets and long-term plans filed by deputy receivers for each receivership or insolvent estate.

Rehabilitation or liquidation is in process or has been completed for the following New Jersey-based insurers:

American Preferred Provider Plan, Inc, an HMO. Request to begin liquidation approved by the Court on April 20, 1999.

Bakers Insurance Company, a property/casualty insurer. Liquidation completed, request to close estate approved by the Court on January 29, 1999.

Group Health Insurance of New Jersey, a medical service corporation. Liquidation completed, request to close estate approved by the Court February 6, 1998.

Healthplans of New Jersey, Inc., a non-operating HMO. Request to begin liquidation approved by the Court on April 27, 1999.

HIP Health Plan of New Jersey, Inc., an HMO. Request to begin liquidation approved by the Court on April 9, 1999.

Home State Insurance Company, a property/casualty insurer. Request to begin liquidation approved by the Court on October 23, 1997.

Integrity Insurance Company, a New Jersey property/casualty insurer. Request to begin liquidation approved by the Court on March 27, 1987.

Mutual Benefit Life Insurance Company, a New Jersey life and health insurer. Request to begin rehabilitation approved by the Court on July 16, 1991. During the period of rehabilitation, MBL Life Assurance Corporation assumed the insurance business of Mutual Benefit Life. Rehabilitation successfully concluded with the signing of a contract in December 1998 with a subsidiary of SunAmerica, Inc. to assume most of MBL Life Assurance Corporation's individual and group pension business. A period of transition was concluded in the first six months of 1999.

New Jersey Life Insurance Company, a life and health insurer. Request to begin liquidation approved by the Court on August 12, 1993.

Southeastern Casualty Indemnity Surety Company, a surety company. Request to begin liquidation approved by the Court on September 27, 1993.

Sussex Mutual Insurance Company, a property/casualty insurer. Request to begin liquidation approved by the Court on July 17, 1992.

Warwick Insurance Company, a property/casualty insurer. Request to begin liquidation approved by the Court on June 22, 1993.

Transfers and Withdrawals: Any insurer seeking to withdraw from writing a line of property/casualty insurance business in New Jersey or seeking to transfer insurance business to another insurer pursuant to an assumption agreement or portfolio reinsurance agreement, must notify the Commissioner and request approval. This section makes recommendations to the Commissioner and drafts orders for the Commissioner's signature approving or denying withdrawal applications.

The following transfer and withdrawal orders were issued in 1998:

- transfer of private passenger automobile business from the Prudential Property Casualty Insurance Company of New Jersey to the Prudential Commercial Insurance Company of New Jersey and the Prudential General Insurance Company of New Jersey,
- transfer and consolidation of private passenger automobile and personal umbrella business from the Hartford Casualty Insurance Company to Twin City Fire Insurance Company,
- transfer and consolidation of private passenger automobile and personal umbrella business from Ohio Casualty Insurance Company and West America Insurance Company to Ohio Casualty of New Jersey, Inc.,
- withdrawal of Kodiak Insurance Company from the following lines of insurance business: smoke and smudge, boiler and machinery, fidelity and surety, livestock and animal mortality,
- withdrawal of the Service Insurance Company, Inc. from glass insurance business.

New Jersey Property Liability Insurance Guaranty Association (PLIGA)

PLIGA is a nonprofit, unincorporated legal entity which provides a mechanism for the payment of covered claims issued by an insurer which has become insolvent. Companies writing property/casualty insurance in New Jersey, with a few exceptions such as ocean marine insurance, must belong to PLIGA. PLIGA's board of directors, reviews property/casualty insolvency information countrywide and makes recommendations to the Commissioner to activate PLIGA to pay claims to eligible policyholders. PLIGA issued an assessment to member insurers in 1998 of one-third of one percent of each insurer's net direct written premium base.

New Jersey Surplus Lines Insurance Guaranty Fund

This fund is managed by PLIGA. This section acts as the Commissioner's liaison to the fund and advises the Commissioner when to activate the fund for the protection of New Jersey policyholders.

New Jersey Life/Health Insurance Guaranty Association (LHIGA)

LHIGA provides coverage for New Jersey policyholders who maintained policies with insolvent life and health carriers. This section acts as the Commissioner's liaison to LHIGA's board of directors and monitors life and health insolvencies nationwide to advise the Commissioner when to activate the association for the protection of New Jersey policyholders and claimants.

New Jersey Self-Insurers Guaranty Association This fund was established to provide coverage for corporations that self-insure for workers compensation protection. This section acts as the Commissioner's liaison to the association's board of directors.



Seneida Bramlett of Financial Solvency consults with David Woolsey, a regulatory officer who also works in the unit.



JEAN BICKAL
ACTING ASSISTANT COMMISSIONER

LEGISLATIVE AND REGULATORY AFFAIRS

The Office of Legislative and Regulatory Affairs is charged with producing most of the documents through which the statutory authority, powers and duties of the department are exercised, including regulations, orders, bulletins and public notices. The office also coordinates the department's legislative efforts, including researching and drafting proposed legislation and efforts required for passage, analyzing and monitoring banking and insurance related legislation and other liaison efforts with the Legislature.

The office serves as liaison with the Office of Attorney General on all legal matters, and with the Office of Administrative Law in preparing and submitting contested cases and preparing final administrative decisions. The office also coordinates the acceptance of service of process on all foreign admitted insurers (insurers headquartered in other states) and coordinates the receipt of subpoenas and other legal documents served on the department.

The office communicates on behalf of the department with Gov. Whitman's office, federal and state agencies, other state regulators and the National Association of Insurance Commissioners on all legislative and regulatory issues.

Office of Legislative and Regulatory Affairs' activities during calendar year 1998

regulations proposed	29
regulations adopted (includes regulations proposed in 1997)	30
public notices issued	20
bulletins issued	17
written decisions and orders issued	73
legislative bills tracked and/or monitored	1,042
public inquiry letters answered	593
subpoenas answered	28
service of process items received and processed	1,159
pending litigation files involving DOBI	96
DOBI administrative cases pending at OAL	42

Much of the department's legislative efforts in 1998 involved assisting in the development of comprehensive proposed reforms to the automobile insurance laws. These reforms were ultimately enacted May 19, 1998 as P.L. 1998, c. 21 and 22, the Automobile Insurance Cost Reduction Act. The act substantially revised the statutory requirements governing the provision of private passenger automobile insurance in the state, including a number of individual reforms intended to work together to reduce the cost of automobile insurance in New Jersey.

Upon enactment of the new law, the department embarked on a complex regulatory project, resulting in the proposal of six comprehensive regulations to implement various provisions of the act. After an extensive public process including both legislative and department hearings and the review and evaluation of thousands of written public comments received on the proposals, the department adopted the regulations in December, with an operative date of March 22, 1999. The new regulatory framework implements the cost-saving reforms in the act, enabling insurers to reduce expenses from unnecessary medical costs, fraud, and meritless lawsuits for minor injuries and thereby effect the overall 15 percent rate reduction envisioned in the act.

The department also implemented the Automobile Urban Enterprise Zone program in 1998. Under the program, 25 municipalities were identified as urban areas where insurers have traditionally declined to write automobile insurance voluntarily. Automobile insurers are required to write the same percentage of their business in UEZs as they write in the rest of the state. Sixty percent of the companies writing auto insurance in New Jersey had to increase the number of policies they wrote in UEZs by a total of about 50,000 vehicles. Companies that fail to make their goals are assigned policies through the Personal Automobile Insurance Plan.

The department worked with the Department of Health and Senior Services to draft amendments to the rules governing Health Maintenance Organizations (HMOs) in response to the insolvency of HIP Health Plan of NJ and American Preferred Provider Plan. The amendments strengthen the department's financial oversight of HMOs both by requiring HMOs to have more cash available if an insolvency occurs and by requiring more frequent, timely and complete financial and actuarial information to be filed with the department. Finally, for new HMOs, the amendments require pre-operational audits before a certificate of authority is granted.

THOMAS P. GALLAGHER
ASSISTANT COMMISSIONER, FINANCE AND ADMINISTRATION

Administrative services provides support to the operational units of the banking and insurance divisions. Under the direction of the chief administrative officer, the assistant commissioner maintains day-to-day oversight of administrative services, staff and functions. The responsibilities of the assistant commissioner include management of the operations of the budget and accounting office, the information management services unit and the department's human resources unit, including the employee relations office.



GARRETT HENGELI
ETHICS OFFICER

The ethics officer ensures that all department employees comply with the state's conflict of interest law and with the department's code of ethics, and makes sure they avoid improprieties when dealing with the industries the department regulates. The ethics officer also serves as liaison to the state Executive Committee on Ethical Standards.



Mission Statement

The mission of our department is to protect consumers in their interaction with the banking, insurance, and real estate industries, and to promote growth and efficiency in those industries by the judicious and fair application of the laws and regulations.





ROY D. BLOOM
DIRECTOR

ANTI-FRAUD COMPLIANCE

The Division of Anti-Fraud Compliance was established August 24, 1998 pursuant to the Automobile Insurance Cost Reduction Act, L.1998, c.21 and Reorganization Plan No. 007-1998. As a result, the fraud investigative functions of the former Division of Insurance Fraud Prevention were transferred to the newly created Office of the Insurance Fraud Prosecutor in the Department of Law and Public Safety. Pursuant to these changes, the Division of Anti-Fraud Compliance is responsible for three primary functions; insurance industry compliance, collection of penalties and fines and industry education.

Amendments to the current rules (N.J.A.C. 11:16-4 and 11:16-5) pertaining to automobile and health insurance, respectively, were proposed and published on November 1, 1999. The amendments, once approved, will address the relationship of insurers with the Office of the Insurance Fraud Prosecutor and the Division of Anti-Fraud Compliance. In addition, these rules will further refine and enhance the composition of insurers' special investigation units (SIU) and the duty of insurers to provide education and training to underwriting and claims personnel to facilitate their efforts to detect and prevent fraud.

COMPLIANCE

The compliance sections conduct carrier reviews for the division. The compliance review looks at a carrier's insurance fraud prevention and detection plan, a sampling of case files for fraud indicators and the annual fraud report submitted by the carrier. Interviews are conducted with representatives of the claims and underwriting sections of the company and the SIU personnel. A noncompliance rating can result in a fine up to \$25,000 per violation. The establishment of a second compliance section on October 2, 1998 ensures annual compliance reviews of all insurance companies subject to the review process.

Thirty-nine audits were completed in 1998.

COLLECTIONS

The collections section coordinates the collection of all penalties and fines resulting from the civil resolution of insurance fraud cases. This section is responsible for locating delinquent subjects, updating the fines database, investigating delinquent case files, sending delinquent notices, making referrals of unresolved cases and assisting in the preparation of legal action.

During 1998, \$1.9 million in civil penalties was collected. A computerized fines database was implemented to monitor all fine payment accounts for delinquency. Between August and December 1998, the collections section conducted 1,791 delinquent account investigations resulting in the resumption of payments for these delinquent accounts.

EDUCATION

The education section addresses insurance industry concerns regarding insurance fraud and develops and implements seminars and training programs for insurance industry professionals. Training sessions have been developed specifically for claims representatives, underwriters, SIU personnel and insurance agents. Issues covered include fraud trends, fraud indicators in claims investigations, problems encountered in suspicious claims investigations and changes to the Insurance Fraud Prevention Act.

Training investigators are involved with numerous instructional responsibilities, including lesson plan development/revision and scheduling. They also are certified by the Police Training Commission to teach in all police academies in the state. This certification was acquired to satisfy requests for insurance fraud training by police agencies and academies.

In 1998, 52 training programs and seminars were presented to carriers, law enforcement agencies and civic organizations.

FRAUD ADVISORY BOARD

The Fraud Advisory Board includes key members of the insurance industry who advise the Division of Anti-Fraud Compliance on matters concerning the war on insurance fraud from the industry perspective. Suggestions from committee members have been included in many legislative changes involving insurance fraud issues.

MID-ATLANTIC STATES INSURANCE FRAUD ASSOCIATION

Another valuable resource to the Division of Anti-Fraud Compliance is the Mid-Atlantic States Insurance Fraud Association. The Division of Anti-Fraud Compliance is a founding member. Through quarterly meetings and written communications, this multi-state organization shares ideas, strategies and solutions to fighting insurance fraud.

COMPENSATION RATING AND INSPECTION BUREAU

The Compensation Rating and Inspection Bureau (NJCRI) is supervised by the Commissioner. The rules and regulations adopted by the member insurers of NJCIB are approved by the Commissioner. No insurer may engage in the business of workers compensation and employers liability insurance in New Jersey unless it is a member of NJCIB.

NJCIB is responsible for the rules, regulations and premium rates governing workers compensation and employers liability insurance. NJCIB conducts on-site inspections and premium audits in order to establish procedures that are fair to the buyer and to the seller. NJCIB is required to encourage employers to reduce the number and severity of accidents by adjusting premiums and rates through the use of credits and debits or other proper factors.



JOSEPH S. DiMARTINO
EXECUTIVE DIRECTOR

01/01/95	+6.0%
01/01/96	-3.6%
01/01/97	-11.2%
01/01/98	-9.3%
01/01/99	-5.2%

Effective January 1, 1999 the Commissioner approved a premium change for all New Jersey workers compensation and employers liability insurance policies. The effect of the change was an overall average premium reduction of 5.2 percent. The new level reflects the most recent claims experience, an increase in statutory benefits effective January 1, 1999 and adjustments to the provision for taxes and expenses as well as other considerations. Of the 600 classifications used to describe New Jersey businesses, 120 showed increased costs, 464 showed decreased costs and 14 were unchanged. Two new classifications were created. The chart reflects the approved premium cost changes during the last five years.

KEY NJCIB ACTIVITIES DURING 1998

- Revised the workers compensation premium rates effective January 1, 1999.
- Revised the New Jersey Workers Compensation and Employers Liability Insurance Manual to accommodate the change in premium rates and other considerations.
- Encouraged depopulation of the residual market which has reached its lowest level in fifteen years, representing approximately three percent of the total state workers compensation premium.
- Updated the NJCIB Web-Site (www.njcib.com) with respect to contacts, services, bulletins/circulars, actuarial information, loss claim characteristics, experience exhibits, annual report, coverage information and the entire manual of rules. New to the web-site were the "Exploring Experience Rating" and "Exploring the Cost of Workers Compensation Policy" pamphlets. These additions supplement the existing, comprehensive "Reference Guide."
- Extended the NJCIB BBS-Advantis Global Network to include NJCIB contacts/services as well as bulletins/circulars. Also, the file transfer facility feature associated with the BBS enables insurers to furnish policy and statistical information electronically.
- Admitted 11 new insurers to NJCIB membership.
- Approved more than 30 applications for the Workers Compensation Managed Care Premium Reduction Program.
- Performed 2,576 test premium audits.
- Performed 2,996 classification surveys.
- Responded to 26,446 inquiries for records of coverage.
- Administered benefit delivery for 19 insolvent insurers.
- Issued 78,803 new/renewal experience ratings.
- Reviewed 370 retrospective ratings and 673 large-risk, large-deductible programs.
- Reviewed 818 policy/endorsement forms.
- Processed 524,839 policies, endorsements, cancellations and reinstatements.

Additional details may be obtained directly from the NJCIB annual report published the third Tuesday of May of each year.



GLORIA DECKER
EXECUTIVE DIRECTOR

REAL ESTATE COMMISSION

The Real Estate Commission has been recognized as a division in, but not of the Department of Banking and Insurance since May 1996. The executive director manages the daily activities of the commission and ensures that its regulatory functions are implemented in accordance with the New Jersey Real Estate Licensing Act. The commission has six bureaus; administration, education, hearings, investigations, licensing and subdivided land sales.

Eight members sit on the Real Estate Commission. Five members must be real estate brokers for at least 10 years, two must be members of the public and one must represent the department. Except for the department appointee, each member is appointed by the Governor to a three-year term. The department appointee serves at the pleasure of the Governor.

The commission meets about 40 times a year and acts as a quasi-judicial body in rendering decisions on contested applications for licensure and on disciplinary matters. The commission also conducts public hearings which

afford real estate licensees and other interested parties an opportunity to voice their opinions on regulatory issues. In addition, the commission reviews proposed legislation and promulgates regulations intended to effectively administer the licensing law and maximize the protection of the public interest.

Legislation was introduced in 1998 that would require business brokers to have a valid New Jersey real estate license in order to conduct any type of real estate brokerage business within New Jersey. It is anticipated that the licensing of business brokers would generate \$100,000 a year in revenue.

The Real Estate Commission published two pamphlets in 1998, "The Real Estate Sales Full Disclosure Act," and "Consumer Information Statement." Included within these pamphlets is valuable consumer information on buying or selling real estate. During 1998, the Real Estate Commission embarked upon a project to collect the Social Security number and birth date of all active licensees in order to comply with the Child Support Enforcement Act of 1996.

Real Estate Commission and information management systems staff implemented an imaging system that improved filing and security of investigation files.

In December 1998, real estate commissioners and several staff members presented a mock hearing on a disciplinary matter before real estate licensees at the annual New Jersey Association of Realtors convention in Atlantic City.

Last year, the Real Estate Commission received more than 53,000 telephone inquiries and requests for assistance in the areas of licensing, investigation, complaints and pre-licensure education requirements. Listed below is a brief synopsis on each bureau plus statistical information on their activities for calendar year 1998.

HEARINGS

The hearings/regulatory affairs section conducted 24 formal disciplinary proceedings against real estate licensees, plus one against an unlicensed individual and another against a registered out-of-state developer. As a result, 12 licenses were revoked, suspended or surrendered with prejudice, seven licensees were placed on probation and one cease-and-desist order was entered. Restitution was ordered in two cases. In five instances, additional education was ordered. Fines totaling \$210,000 also were imposed in these matters.

In addition, 11 matters were resolved by consent prior to the initiation of formal disciplinary actions against licensees. Those cases resulted in the revocation, suspension or surrender with prejudice of seven licenses. Two licensees were placed on probation. One of them also was required to receive re-education. Another case resulted in a fine and in another re-education was required. Fines of \$35,000 were assessed.

The section also responded in 15 cases in which applicants appealed denials of their license applications. The denials had been based upon convictions or other information that indicated they did not qualify for a license. The commission confirmed the denials in four of those cases, and granted licenses on a probationary basis in the remaining 11.

In 1998, the section also processed significant rule changes by the commission, including amendments on broker supervision, record keeping, advertising and office requirements to address concerns created by the proliferation of new technologies. In addition, the commission's entire chapter of administrative rules, N.J.A.C. 11:5-1 et seq. was scheduled to expire in 1998 and, after a thorough review that incorporated the changes, the entire chapter of rules was recodified. Through recodification, the rules were organized into subchapter according to subject matter, which resulted in a significantly more user-friendly set of rules that makes it easier for licensees, attorneys and the general public to locate all of the rules applicable to specific topics. Finally, the section continued to provide data on unpaid commission-imposed fines to the division of taxation's Set-Off Individual Liability (SOIL) program.

EDUCATION

The bureau of education is responsible for the licensure of real estate pre-licensure schools and instructors. There are 56 schools licensed to offer salesperson and broker pre-licensure courses and 187 licensed instructors.

The bureau works with a vendor who administers the license examinations for salespersons, brokers and instructors.

Training seminars are conducted by the bureau for new school directors and instructors prior to their licensure. In addition, the bureau conducts mandatory seminars for licensed instructors prior to the renewal of their licenses. During 1998, the commission conducted biennial continuing education training seminars for 169 real estate instructors.

The education bureau reviews complex broker experience applications to ensure that broker applicants meet criteria established by statute prior to taking the examination. The bureau also conducts regular on-site inspections of licensed schools and conducts classroom audits.

Examinations

	1997	1998
first-time candidates for broker examination	289	289
passing broker candidates	150	137
first-time candidates for salesperson examination	5,696	5,625
passing salesperson candidates	4,023	4,190

LICENSING

The bureau of licensing has seen an increase of about four percent in the number of licenses that were issued or reinstated in 1998. The chart to the right shows the active licensees as of December 1998. Of the 53,000 telephone inquiries the Real Estate Commission received in 1998, the bureau of licensing received and responded to 30,000 inquiries.

Licenses by Type

	1997	1998
salespersons	62,568	66,456
brokers	11,432	11,624
corporate officers	3,131	3,161
sole proprietors	1,930	1,907
[artnerships	146	194
branch offices	542	530
TOTAL	79,749	83,872

INVESTIGATIONS

The bureau of investigations is responsible for investigating complaints against licensees and others alleged to have violated provisions of the New Jersey Real Estate Licensing Act. Complaints range from minor administrative infractions to charges of commingling and misappropriation of trust funds. Frequently, less serious violations are disposed of through warnings, reprimands or administrative penalties. However, the more serious violations are prepared for a hearing before the full board of commissioners. Some cases are forwarded to the Attorney General's Office.

During 1998, the bureau received 2,727 complaints. Included in this figure are the audit team visits to real estate offices and the inspections of their escrow accounts and bookkeeping procedures. The amount of monies recouped on behalf of the public was \$184,456, and administrative penalties collected totaled \$187,842. In September 1998, real estate investigators attended fraud training and management staff attended the Association of Real Estate License Law Officials Conference. In a two-week period in October 1998, Real Estate Commission investigators conducted 325 compliance inspections of real estate broker offices in Bergen, Hudson and Passaic counties.

SUBDIVIDED LAND SALES CONTROL

The New Jersey Real Estate Sales Full Disclosure Act was signed into law January 1, 1990. This act, which re-established the bureau of subdivided land sales control, regulates the marketing and sale of certain types of out-of-state properties. Any out-of-state developer seeking to market such properties in New Jersey must first register with the bureau. The bureau reviews registration applications and the properties to be marketed to eliminate any deficiencies and strengthen protection to New Jersey purchasers of out-of-state real estate where possible.

In 1998, developers submitted 51 new registrations and renewed 142 subdivisions. The bureau collected \$184,565 in registration fees. The bureau conducted 27 on-site inspections and conducted 53 in-state office inspections, recouped more than \$132,101 in public monies and collected \$83,200 in administrative penalties. Additionally, 488 New Jersey brokers were authorized to represent these subdivisions.

New Jersey Real Estate Commission

Broker members:

Thomas White, president, Warren Township
Edward Goldberg, vice-president, West Trenton
Robert Kinniebrew, Beverly
Camille Maas, Nutley
Clementina Peña, Dover

Public members:

Barbara Grove, Berkeley Heights
Michael McKitish, Hamilton Square

Department of Banking and Insurance representative:

Susan Toth, Franklin Township



CAROL A. MIKSAD
DEPUTY EXECUTIVE DIRECTOR

UNSATISFIED CLAIM AND JUDGMENT FUND

The Unsatisfied Claim and Judgment Fund provides relief for the personal injury protection (PIP), bodily injury and property damage claims of qualified victims of New Jersey automobile accidents caused by uninsured or unidentified motorists. The fund also collects the debts of judgments from those uninsured motorists who caused the accidents. The Unsatisfied Claim and Judgment Fund also reimburses New Jersey automobile insurance companies when their PIP medical benefits payments exceed \$75,000 per injured party for motor vehicle accidents that happened on or after February 19, 1978.

The Unsatisfied Claim and Judgment Fund is financed through an annual assessment of all insurers authorized to write automobile liability and PIP coverages for New Jersey policyholders. The fund reimburses the state of New Jersey for all its operational expenses. In January 1998, the fund assessed insurers \$157.7 million to pay claims anticipated for July 1998 through June 1999.

HIGHLIGHTS OF THE FUND'S ACTIVITIES DURING CALENDAR YEAR 1998

- Received 12,219 new uninsured motorist claims. As of December 1998, the fund had 1,627 active uninsured motorist claims.
- Paid 900 claims, totaling \$6.7 million to victims of accidents involving an uninsured or unidentified driver.
- Collected \$788,107 in interest and principal from uninsured motorists.
- Issued 7,490 reimbursement payments, totaling \$177.4 million, to insurers for their PIP medical payments over \$75,000.
- Received 1,668 new excess medical benefit claims from automobile insurers. As of December, 1998 the fund had 6,641

Category	1997	1998	
Principal/Interest Recoveries	\$765,356	\$788,107	+ 3%
Reimbursements to Insurers	\$154,000,000	\$177,400,000	+ 15%
Dollars Paid in Claims	\$6,724,456	\$6,783,063	+ 1%
Excess Medical Claims Rec'd	1,648	1,668	+ 1%
Unidentified/Uninsured Claims Rec'd	16,471	12,221	-26%

active excess medical benefit claims.

HIGHLIGHTS AND TREND ANALYSIS OF THE FUND'S ACTIVITIES, 1997 AND 1998

As the chart above indicates, the fund increased its recovery of principal and interest in 1998, as well as its reimbursements to insurers. The number of excess medical claims received increased only slightly. However, there was a sharp decrease between 1997 and 1998 in the number of claims as a result of underinsured and uninsured motorists.

Unsatisfied Claim and Judgment Fund Board

Department representatives

Jaynee LaVecchia, Commissioner, Department of Banking and Insurance.

Donald Bryan, acting director, Division of Insurance, designated representative

Industry representatives

John C. Crisci, assistant vice president, industry relations, United Services Auto Association (chairperson)

Ronald J. Failla, senior vice president, General Accident Insurance Co.

Carla Temple, vice president and secretary, State Farm Indemnity Co.

Thomas M. Curry, vice president of claims, New Jersey Manufacturers Insurance Company.

INDIVIDUAL HEALTH COVERAGE AND SMALL EMPLOYER HEALTH BENEFITS PROGRAMS

The Individual Health Coverage Program (IHC) Board and the Small Employer Health Benefits Program (SEH) Board have implemented reforms in the individual and small business (employers with 2-50 employees) health insurance markets. Collectively, the IHC and SEH markets cover more than one million New Jersey residents. The IHC Program has been in place since August 1, 1993. The SEH Program has been in place since January 1, 1994. The programs guarantee access to health coverage for individuals and small businesses, regardless of health status, age, claims history, or any other risk factor.



WARDELL SANDERS
EXECUTIVE DIRECTOR

The essential statutory features of the IHC and SEH Programs are;

- guaranteed issue/guaranteed renewal of coverage,
- limitations on pre-existing condition exclusions,
- standard health plans,
- community rating in IHC market/ modified community rating in SEH market,
- mandatory minimum loss ratio of 75 percent.

SMALL EMPLOYER HEALTH BENEFITS PROGRAM

As of December 31, 1998,

- 869,594 people were covered by 105,982 standard and non-standard small business health benefits plans.
- 91.5 percent of small businesses were enrolled in standard plans developed by the SEH Board and 8.5 percent in pre-reform, non-standard plans.
- 57 carriers reported enrollment in the small business market, counting HMO and indemnity affiliates separately.

GROWTH IN SMALL BUSINESS ENROLLMENT

Based on enrollment statistics provided by carriers, enrollment in small business plans increased by more than 20,000 people from December 1997 to December 1998. When compared to December 1994 enrollment, the first measurement for the SEH market, December 1998 enrollment represents an increase of more than 175,000 people. These increases in enrollment since the beginning of the SEH Program are supported by a study published by the New Jersey Business and Industry Association (NJBIA), a New Jersey association comprising mostly small to mid-size employers. In its 1998 health benefits survey of its membership, NJBIA found that health benefits coverage had grown since the inception of health care reform, with 94 percent of its member employers providing coverage in 1998, up from 87 percent in 1993. NJBIA has cited New Jersey's health coverage reforms as a major reason for the dramatic increase in coverage by small employers.



Ellen DeRosa, deputy executive director of IHC/SEH, consults with Ward Sanders, executive director.

SMALL BUSINESS ENROLLMENT BY PLAN

Small businesses continued to convert to standardized plans developed by the SEH Board (called Plans A, B, C, D, E, and HMO) with small businesses covered under standard plans representing 91.5 percent of the market as of December 1998 compared to 86 percent at year-end 1997. This trend has continued even though businesses are permitted to continue coverage under pre-reform, non-standard plans.

Small businesses also continued to shift to managed care plans in 1998. Approximately 98 percent of the standard plans in force at the end of 1998 were some form of managed care, and two percent of the standard plans were traditional fee-for-service, or indemnity plans. At the end of 1997, 87 percent of the standard plans in force were some form of managed care, and 13 percent were indemnity plans. Of the standard plans issued in 1998, 21 percent were HMO plans, and 77 percent were either a point of service (POS) or preferred provider organization (PPO) plan.

INDIVIDUAL HEALTH COVERAGE PROGRAM

As of December 31, 1998:

- 131,168 people were covered by the standard individual health benefits plans.
- 27 carriers reported enrollment in the individual market, counting HMO and indemnity affiliates separately.

PLAN OFFERINGS/ENROLLMENT BY PLAN

As in the small employer market, non-HMO carriers in the individual market have been required to offer standard indemnity plans of increasing value, each with various deductible options; HMO carriers are required to offer the standard HMO plan, which may be offered with different co-payment options. Plans A/50, B, C, and D cover the same services and supplies, but differ in how much the covered person pays toward these services and supplies.

In response to consumer demands for comprehensive coverage at lower costs, the IHC Board amended the standard plan options that carriers are required to offer. Specifically, the board added a requirement that carriers offer Plan B with a \$2,500 deductible option and Plan A/50, a comprehensive major medical plan where the co-insurance is shared equally by the carrier and the covered person. Also in 1998, the IHC Board gave HMO carriers the option to offer a \$30 physician visit co-pay plan. Carriers also are permitted to offer plans that meet the federal requirements of a “qualified high deductible plan” for use with medical savings accounts (MSAs).

RATES IN THE INDIVIDUAL MARKET

New Jersey law provides guaranteed access to coverage for all eligible individuals and their families. As in previous years, affordability remains a concern. Consumers in this market are especially sensitive to cost increases, as they do not have an employer contribution. Rates in the market continued to increase in 1998. Listed below are selected single monthly rates for the most popular standard plans as of December 31, 1998.

Plan/Deductible	Lowest Monthly Rate	Other Monthly Rates
Plan B, \$1,000	\$194	2 carriers < \$200
Plan C, \$1,000	\$272	2 carriers < \$300
Plan C, \$2,500	\$168	8 carriers < \$400
HMO, \$20 copay	\$223	6 carriers < \$300

IHC PROGRAM ASSESSMENTS FOR REIMBURSEMENT OF LOSSES

The IHC Act introduced a “pay or play” assessment system to encourage carrier participation in the reformed individual health insurance market and distribute losses more broadly. All carriers selling some form of health insurance in New Jersey are required to offer individual coverage and assume their fair share of the market or pay an assessment to the IHC Program. The loss assessment is used to partially reimburse carriers that lose money in the individual market.

A law passed in 1997 modified the assessment mechanism in the individual market. That law changed the assessment from a one-year calculation to a two-year calculation period, the first of which began on January 1, 1997. Due to this change in the law, there was no loss assessment in 1998; an assessment for 1997 and 1998 reimbursable losses will be made in 1999.

CONSUMER PROTECTION AND ENFORCEMENT

The IHC and SEH Boards have worked closely with the Department of Banking and Insurance and the Department of Law and Public Safety’s Division of Law to vigorously enforce the health insurance reform laws and create fair competition in these markets.

In enforcing the SEH Act’s mandatory minimum loss ratio requirements, the department required carriers to refund to small employer policyholders more than \$9.2 million in 1998. To date, carriers have been required to refund \$46.2 million to New Jersey small businesses. The IHC Board required carriers to refund to individual policyholders more than \$600,000 in 1998. Refunds in the individual market since the inception of New Jersey’s reforms exceed \$5.5 million.

PUBLIC EDUCATION AND INFORMATION

To assist individuals and small employers in shopping for coverage, the IHC and SEH Boards have published buyer's guides and other information that is available at no charge through toll-free telephone numbers (individuals 800/838-0935; small businesses 800/263-5912). In 1998, these guides were recognized by Georgetown University's Institute for Healthcare Research and Policy, a well-respected national policy organization, as model consumer guides. In 1998, the IHC Board distributed approximately 1,000 guides per month through its toll-free number; the SEH Board distributed approximately 250 per month. In addition, the SEH Board supplied small employer carriers with thousands of copies of the "Get the Facts" brochure for distribution to consumers, and provided thousands of copies to associations representing small employers.

The boards' staff handled more than 18,000 telephone inquiries from consumers, insurance agents and carriers in 1998. The boards' staff has spoken at national symposiums on health care reform, and speaks regularly to insurance agent organizations, small business groups, community organizations and employee groups. More than 10,000 interested parties obtained information about New Jersey's IHC and SEH programs published on the Department of Banking and Insurance web site at: <http://www.naic.org/nj/NJHOMEPCG.HTML>.

The IHC and SEH programs are run by boards of directors responsible for regulating each market. The IHC Board has nine members representing insurers, HMOs, consumers, the AFL-CIO and the Commissioner. The SEH Board is similar in makeup, and has 18 members, including insurance agents, a doctor, representatives of small business including minority small business, the Commissioner of the Department of Banking and Insurance, and the Commissioner of the Department of Health and Senior Services. Not all designated seats are occupied. Board members serve on a volunteer basis. Combined, they devote approximately 600 hours per month toward board activities. The boards share a staff of five employees who implement the

SMALL EMPLOYER HEALTH BENEFITS PROGRAM BOARD

Commissioner or her designee:
Jane Majcher/Gale Simon
Department of Banking and Insurance

Larry Glover, Chair
Bryan Markowitz
James F. Leonard

Charlotte A. Furman
Anthem Health and Life Insurance Co.

Linda Ilkowitz
Guardian Life Insurance Co.

Eric Wilmer
Celtic Life Insurance Co.

Michael A. Torrese
Horizon Blue Cross/Blue Shield

Darrel Farkus
Oxford Health Plans

Jeff Beck
Aetna USHealthcare

Bonnie Wiseman
Department of Health and Senior Services

Dutch Vanderhoof
The Tirbus Financial Group, Inc.

Gary Cupo
Benefits Solutions

Marie Santangelo
Cindy Qui

INDIVIDUAL HEALTH COVERAGE PROGRAM BOARD

Commissioner or her designee:
Jane Majcher/Gale Simon
Department of Banking and Insurance

Sandi Kelly
Horizon Blue Cross/Blue Shield

Jeffrey Beck
Aetna USHealthcare

Arthur Herrmann
Prudential Healthcare

Rebecca Smart
Mutual of Omaha

Eileen M. Shrem
LUTCF Independent Insurance Planner

Charles Wowkanech
NJ State AFL - CIO

Ritamarie G. Rondum
Secretary

Lisa Yourman
Vice Chair

BOARDS AND COMMISSIONS

In addition to boards and commissions mentioned in this report, the Department of Banking and Insurance has representation on the following:

Affordability and Accessibility of Health Care in NJ Task Force	NJ Health Care Facilities Financing Authority
Automobile Insurance Risk Exchange Board	NJ Housing Mortgage & Finance Authority
Catastrophic Illness In Children Relief Fund Board	NJ Life/Health Insurance Guaranty Association
Commercial Automobile Insurance Procedure Governing Committee	NJ Property Liability Insurance Guaranty Association
Commercial Automobile Insurance Procedure Peer Review Panel	NJ Self-Insurers Guaranty Association
Commissioner's Advisory Board on Life and Health	NJ Surplus Lines Insurance Guaranty Fund
Economic Development Authority	Pinelands Development Credit Bank
Insurance Fraud Advisory Board	Producer Education Advisory Committee
Insurance Underwriting Association Board	Property and Casualty Producer Advisory Commission
Medical Malpractice Reinsurance Association Board	Property-Liability Insurance Guaranty Association Board
Medicare Supplement Under 50 Plan Peer Review Panel	Self-Insurance Guaranty Association Board
NJ Compensation Rating and Inspection Bureau	Title Producers Liaison Committee
NJ Employee Deferred Compensation Board	Transfer Development Rights Bank
NJ Health Benefits Commission	Urban Coordinating Council
NJ Health Care Administration Board	

Virgil Downtin, a supervisor in Anti-Fraud Compliance, Section 1, reports concerns to an insurer as part of his duties.



Jill Urban, secretarial assistant to the director of Anti-Fraud Compliance, retrieves case files.

EXECUTIVE TELEPHONE NUMBERS

Jayne LaVecchia, Commissioner	609-341-2511
Karen Suter, Chief of Banking and Insurance Operations	609-341-2511
J. Peter Traum, Chief Administrative Officer	609-341-2511
Winifred Comfort, Director, Office of Public Affairs	609-292-5064
Garrett Hengeli, Ethics Officer	609-984-3602 (x 50028)
Nicholas Ketcha, Acting Director, Division of Banking	609-292-3420 (x 50018)
Francis Carr, Assistant Commissioner, Depositories	609-292-7272 (x 50060)
Susan Toth, Assistant Commissioner, Consumer Finance	609-292-7659
Donald Bryan, Acting Director, Division of Insurance	609-292-0844 (x 50009)
Jean Bickal, Acting Assistant Commissioner, Legislative and Regulatory Affairs	609-984-3602 (x 50031)
Paul DeAngelo, Assistant Commissioner, Enforcement & Consumer Protection	609-292-5316 (x 50156)
Karen Mitchell, Assistant Commissioner, Financial Examinations	609-292-5350 (x 50089)
William Rader, Assistant Commissioner, Property and Casualty	609-984-7310 (x 50352)
Gale Simon, Assistant Commissioner, Life and Health	609-292-5427 (x 50340)
Roy Bloom, Director, Anti-Fraud Compliance	609-633-9685 (x 50429)
Lisa Levine, Director, Financial Solvency	609-292-8181 (x 50111)
Gloria Decker, Executive Director, Real Estate Commission	609-292-8280 (x 50148)
Joseph DiMartino, Executive Director, Workers Compensation	973-622-6014
Carol Miksad, Deputy Executive Director, Unsatisfied Claim and Judgment Fund	609-292-3100 (x 50381)
Wardell Sanders, Executive Director, Individual & Small Employer Health Boards	609-633-1882 (x 50306)
Thomas P. Gallagher, Assistant Commissioner, Administration and Finance	609-777-0558 (x 50270)

BANKING APPLICATIONS SUMMARY

In 1998, the Office of Depositories approved 99 applications from state-chartered institutions relating to new charters, branches and mergers. The applications section within the Office of Depositories reviews the applications of all commercial banks, savings banks and savings and loan associations and credit unions.

Applications Approved 1998

	Charters	Full Branches	Mini Branches	Mergers
Commercial Banks	5	67	3	5
Savings Banks	N/A	11	N/A	3
Savings & Loan Associations	N/A	4	N/A	1

New Banks

	Date Approved	Date Opened
Advantage Bank 3421 Route 22 East, Branchburg	11/12/98	01/12/99
First Bank of Central Jersey 1727 Route 130, North Brunswick	01/28/98	05/11/98
Monmouth Community Bank 627 Second Avenue, Long Branch	12/19/97	07/28/98
Parke Bank 610 Delsea Drive, Sewell	11/17/98	01/28/99
Red Oak Bank 190 Park Avenue, Hanover	11/12/98	04/19/99
Smith Barney Private Trust Co. of NJ 55 Broad Street, 3rd Floor, Red Bank	01/26/98	01/26/98
The Town Bank of Westfield 520 South Avenue, Westfield	11/21/97	10/05/98

New Branches

Name/ Headquarters	Date Approved	Date Opened
1st Constitution Bank/ Cranbury Twp. 10 Schalks Crossing Road, Plainsboro	04/15/98	09/14/98
Allaire Community Bank/ Sea Girt 155 Main Street, Manasquan	10/31/97	04/08/98
Bank of Gloucester/Woodbury 30 Elm Avenue, Woodbury Heights	09/29/97	07/06/98
Bergen Commercial Bank/ Paramus 734 Ridge Road, Lyndhurst	01/12/98	03/23/98
Boiling Springs Savings Bank/ Rutherford Route 3 and Main Avenue, Clifton	06/19/98	
Bridge View Bank/ Englewood Cliffs 20 West Railroad Avenue, Tenaflly	04/15/98	
Bridge View Bank/ Englewood Cliffs 77 River Street, Hackensack	07/23/97	10/6/98

DIVISION OF BANKING

New Branches

Name/ Headquarters	Date Approved	Date Opened
Brunswick Bank & Trust Co./ New Brunswick Aaron Road, North Brunswick	01/28/98	
Commerce Bank / Ramsey 33 South Kinderkamack Road, Montvale	12/10/98	12/14/98
Commerce Bank / Ramsey Hillsdale Avenue and Patterson Street, Hillsdale	03/03/98	04/17/99
Community Bank of New Jersey/ Freehold Route 9 and Friendship Road, Howell	08/27/98	
Community Bank of New Jersey/ Freehold Main Street and Route 34, Matawan	04/15/98	02/06/99
Community State Bank/ Teaneck 235 Main Street, Hackensack	05/08/98	07/15/98
First Morris Bank/ Morristown Sussex Turnpike, Randolph	03/03/98	
First Savings Bank, SLA/ Woodbridge 301 Raritan Avenue, Highland Park	04/28/98	06/01/98
Franklin Savings Bank, SLA/ Salem 1179 East Route 40 (Harding Highway), Pilesgrove	04/28/97	08/17/98
Glen Rock Savings Bank/ Glen Rock 523 Cedar Hill Avenue, Wyckoff	07/09/98	12/07/98
Glenmede Trust Co./ Princeton 264 South Street, Morristown	11/23/98	01/05/99
Hudson United Bank/ Mahwah 150 S. White Horse Pike, Berlin	04/27/98	
Hudson United Bank/ Mahwah 189 Corbin Street, Newark	04/27/98	06/26/98
Hudson United Bank/ Mahwah 495 W. Veterans Highway, Jackson	04/27/98	06/26/98
Hudson United Bank/ Mahwah Circle at 32nd Street, Brigantine	04/27/98	06/26/98
Hudson United Bank/ Union City 394 Scotland Road, Orange	04/27/98	06/26/98
Hudson United Bank/ Union City 10 Meadowlands Parkway, Secaucus	04/27/98	06/26/98
Hudson United Bank/ Union City 6A Radio Road, Tuckerton	04/27/98	06/26/98
Hudson United Bank/ Union City 303 Broad Street, Palisades Park	04/27/98	06/26/98
Hudson United Bank/ Union City 356 Springfield Avenue, Newark	04/27/98	06/26/98
Hudson United Bank/ Union City 68 Elizabeth Street, Pemberton	04/27/98	06/26/98
Hudson United Bank/ Union City 247 Parker Avenue, Clifton	04/27/98	06/26/98
Hudson United Bank/ Union City 21 Bridge Street, Frenchtown	04/27/98	06/26/98
Hudson United Bank/ Union City 55 Madison Avenue, Morristown	04/27/98	06/26/98

New Branches

Name/ Headquarters	Date Approved	Date Opened
Interchange Bank/ Saddle Brook Route 4, Forest Avenue, Shop Rite Shopping Center, Paramus	02/13/98	11/05/98
Investors Savings Bank/ Millburn 571 Stelton Road, Piscataway	08/07/98	
Investors Savings Bank/ Millburn 1260 Springfield Avenue, New Providence	07/17/98	11/16/98
Investors Savings Bank/ Millburn 864 Route 37 West, Dover Township	07/09/98	12/28/98
Investors Savings Bank/ Millburn Route 10, Roxbury	07/09/97	03/23/98
Ironbound Bank/ Newark 358 North Avenue, Garwood	03/16/98	
Ironbound Bank/ Newark 2051 Morris Avenue, Union	06/19/98	
Jefferson Bank of New Jersey/ Mt. Laurel 700 South Route 73, Evesham Township	03/09/98	07/15/98
Lakeland Bank/ Oak Ridge 45 Skyline Drive, Ringwood	10/15/97	03/09/98
Lakeland Bank/ Oak Ridge 80 U.S. Highway 206, Byram	06/19/98	08/07/98
Lakeland Bank/ Oak Ridge 637 Wyckoff Avenue, Unit 7, Wyckoff	05/11/98	06/29/98
Lakeview Savings Bank/ West Paterson 153 Bergen Boulevard, Fairview	12/11/97	09/16/98
Millington Savings Bank/ Millington 534 Lyons Road, Liberty Corner	03/31/97	02/23/98
NorCrown Bank/ Roseland 504 South Livingston Avenue, Livingston	09/25/97	03/07/98
NorCrown Bank/ Roseland 110 Irvington Avenue, South Orange	10/26/98	03/06/99
NorCrown Bank/ Roseland 54 Whippany Road, Whippany	10/26/98	
NVE Savings Bank/ Englewood 42 West Hudson Avenue, Englewood	09/24/97	04/05/98
NVE Savings Bank/ Englewood Washington and Hickory Avenues, Bergenfield	02/04/98	
NVE Savings Bank/ Englewood 400 River Road, New Milford	06/10/97	12/21/98
Panasia Bank/ Fort Lee 234 Closter Dock Road, Closter	08/27/98	04/21/99
Prestige State Bank/ Flemington 50 West Main Street, Somerville	02/06/98	06/20/98
Provident Savings Bank/ Jersey City Stelton Road and New Brunswick Avenue, Piscataway	11/23/98	
Provident Savings Bank/ Jersey City Route 36 and Wyckoff Street, Keyport	10/26/98	11/12/98
Provident Savings Bank/ Jersey City 161 Eagle Rock Avenue, Roseland	04/28/98	06/17/98

New Branches

Name/ Headquarters	Date Approved	Date Opened
Provident Savings Bank/ Jersey City 3585 Route 9 North, Freehold	02/19/98	04/25/98
Provident Savings Bank/ Jersey City Centennial Square Shopping Center, Piscataway	11/23/98	
Ramapo Savings Bank/ Bayonne Route 613 and Texas Road, Jamesburg	05/28/98	09/01/98
Ramapo Savings Bank/ Bayonne 1930 Route 88, Brick	08/04/97	10/06/98
Ramapo Savings Bank/ Bayonne 2518 Old Hooper Avenue, Brick	01/26/98	02/17/98
Skylands Community Bank/ Hackettstown 272 Route 46, Rockaway	11/23/98	
Skylands Community Bank/ Hackettstown 190 Mountain Avenue, Hackettstown	01/28/98	
Somerset Valley Bank/ Somerville Lot 1.02, Block 311, North Main Street, Manville	05/18/98	03/22/99
Somerset Valley Bank/ Somerville 231 State Highway 34, Aberdeen	05/18/98	
Somerset Valley Bank/ Somerville Allen and Hanson Roads, Bernards Township	12/10/98	
Statewide Savings Bank/ SLA/ Jersey City 19 Schuyler Avenue, North Arlington	04/15/98	05/09/98
Sterling Bank/ Mt. Laurel 52 Main Street, Southampton	11/12/98	12/12/98
Summit Bank/ Hackensack 1224 Blackwood-Clementon Road, Clementon	09/24/97	03/09/98
Summit Bank/ Hackensack 325 Cliffwood Ave, Cliffwood	03/17/98	04/10/98
Summit Bank/ Hackensack 407 Valley Street, South Orange	12/18/96	03/09/98
Summit Bank/ Hackensack 2881 Mt. Ephraim Avenue, Camden	12/18/96	02/17/98
Summit Bank/ Hackensack 1450 Clements Bridge Road, Deptford	07/16/97	10/26/98
Summit Bank/ Hackensack 6718 Black Horse Pike, Egg Harbor	01/12/98	05/22/98
Summit Bank/ Hackensack 2225 North Second Street, Millville	01/12/98	01/19/99
Summit Bank/ Hackensack 240 Route 10, East Hanover	01/12/98	03/24/99
Summit Bank/ Hackensack 895 Paulison Avenue, Clifton	01/12/98	
Summit Bank/ Hackensack 977 Valley Road, Gillette	03/16/98	05/29/98
Summit Bank/ Hackensack 80 Main Plaza Shopping Center, Hackettstown	05/11/98	
Summit Bank/ Hackensack 1630 East 35th Street, Paterson	07/17/98	01/25/99

New Branches

Name/ Headquarters	Date Approved	Date Opened
Summit Bank/ Hackensack 211 Elmora Avenue, Elizabeth	09/11/98	09/28/98
Summit Bank/ Hackensack 1157 Route 46, Parsippany	09/11/98	01/19/99
Summit Bank/ Hackensack 110 Route 130 and Woodland Road, Edgewater Park	11/20/97	03/30/98
Summit Bank/ Hackensack 130 White Horse Pike, Lawnside	07/16/97	11/16/98
Summit Bank/ Hackensack 319 Route 130 North, Hightstown	11/20/97	02/25/98
Summit Bank/ Hackensack Route 9 and 1st Street, Lanoka Harbor	11/20/97	02/13/98
Summit Bank/ Hackensack 1930 Highway 88, Bricktown	01/12/98	06/22/98
Sussex County State Bank/ Franklin Block 11, Lot 13.07, Frankford Township	10/15/98	
Trust Co. of NJ/ Jersey City 605 Valley Road, Montclair	08/07/98	
Trust Co. of NJ/ Jersey City 440 Route 130, East Windsor	08/07/98	
Trust Co. of NJ/ Jersey City Franklin Crossing Shopping Center, Franklin Lakes	10/09/97	07/29/98
Trust Co. of NJ/ Jersey City 319 Route 130 North, East Windsor	04/14/98	10/28/98
Trust Co. of NJ/ Jersey City Botany Plaza Shopping Center, Clifton	01/28/98	11/23/98
U.S. Trust Co. of NJ/ Princeton 600 Campus Drive, Suite 1B, Florham Park	07/9/98	
Unity Bank/ Clinton 470 Boulevard, Kenilworth	11/19/98	
Unity Bank/ Clinton Loehmann's Plaza, Route 18, East Brunswick	11/19/98	
Unity Bank/ Clinton 949 Livingston Avenue, North Brunswick	11/19/98	
Unity Bank/ Clinton 2426 Plainfield Avenue, South Plainfield	11/19/98	
Unity Bank/ Clinton 52 Millburn Avenue, Springfield	11/19/98	03/03/99
Unity Bank/ Clinton South Avenue at Walnut, Cranford	11/19/98	03/11/99
Unity Bank/ Clinton 555 Springfield Avenue, Berkeley Heights	11/19/98	03/3/99
Unity Bank/ Clinton 1379 St. Georges Road, Woodbridge	10/05/98	
Unity Bank/ Clinton U.S.22 and Fire Lane, Readington Township	04/28/98	04/16/99
Unity Bank/ Clinton 1746 Oak Tree Road, Edison	11/19/98	04/01/99

DIVISION OF BANKING

Mini Branches

Name/ Headquarters	Date Approved	Date Opened
Interchange Bank/ Saddle Brook Route 4, Forest Ave, Shop Rite Shopping Center, Paramus	02/13/98	11/05/98
Investors Savings Bank/ Millburn 77 Route 530, Manchester	12/11/97	11/02/98
Ridgewood Savings Bank/ Ridgewood 85 Harretton Road, Allendale	12/11/97	03/12/98
Skylands Community Bank/ Hackettstown Route 206 Shop Rite Supermarket, Byram	09/16/97	06/11/98
Somerset Valley Bank/ Somerville Lot 16 Block 173, 91 North Gaston Avenue, Somerville	10/22/97	01/05/98
Somerset Valley Bank/ Somerville 100 Monroe Street, Bridgewater	07/23/97	02/11/98
Trust Co. of NJ/ Jersey City 175 Avenue A, Bayonne	11/06/97	03/16/98
Trust Co. of NJ/ Jersey City 136 Lake Avenue, Midland Park	10/17/97	03/16/98
Trust Co. of NJ/ Jersey City 20 Washington Avenue, Dumont	10/17/97	04/06/98
Trust Co. of NJ/ Jersey City 235 Ridgedale Avenue, Cedar Knolls	09/24/97	04/06/98
Trust Co. of NJ/ Jersey City 75 Mayhill Street, Saddle Brook	10/15/98	11/02/98
Trust Co. of NJ/ Jersey City 907 D Oak Tree Road, South Plainfield	04/20/98	04/20/98

FOREIGN BANKS

N.J.S.A. 17:9A-316 permits out-of-state domestically chartered banks to transact business in New Jersey as executor or as testamentary trustee or guardian. The number of foreign banks on December 31, 1998 was 45, one more than the previous year. Foreign banks authorized to transact business in New Jersey on December 31, 1998 were as follows:

Acadia Trust Company, Portland, ME	J & W Seligman Trust Company, New York, NY
Advest Bank, Hartford, CT	Key Trust Company, Cleveland, OH
American Security Bank, Baltimore, MD	Lafayette Bank, Lehigh Valley, PA
Bankers Trust Company, New York, NY	Main Line Trust Company, Wayne, PA
Bessemer Trust Company, N.A., New York, NY	Manufacturers Hanover Trust Company, New York, NY
Boston Safe Deposit Trust Company, Boston, MA	Marine Midland Bank, N.A., New York, NY
Brown Brothers Harriman Trust Company, New York, NY	Mellon Bank, N.A., Pittsburgh, PA
Bryn Mawr Trust Company, Bryn Mawr, PA	Mellon Trust of New York, Boston, MA
Chase Manhattan Bank, N.A., New York, NY	Mentor Trust Company, Philadelphia, PA
Citibank, N.A., New York, NY	Meridian Bank, N.A., Valley Forge, PA
Comerica Bank, N.A., Detroit, MI	Morgan Guaranty Trust Company of New York, New York, NY
Connecticut National Bank, Hartford, CT	Neuberger & Berman Trust Company, New York, NY
Continental Bank, Norristown, PA	PNC Bank, N.A., Pittsburgh, PA
CoreStates Bank, N.A., Philadelphia, PA	Republic National Bank of New York, New York, NY
Crestar Bank, N.A., Richmond, VA	Rhode Island Hospital Trust National Bank, Providence, RI
Cypress Trust Company, Palm Beach, FL	Rittenhouse Trust Company, Radnor, PA
Fidelity Bank, N.A., Philadelphia, PA	Smith Barney Trust Company, New York, NY
Fiduciary Trust Company International, New York, NY	Union Trust Company, Stamford, CT
Fleet Bank, Boston, MA	United Penn Bank, Norristown, PA
Frankford Trust Company, Philadelphia, PA	United States Trust Company of New York, New York, NY
Glenmede Trust Company, Philadelphia, PA	Vermont National Bank, Rutland, VT
IBJ Schroder Bank & Trust Company, New York, NY	Wilmington Trust Company, Wilmington, DE
Integra Trust Company, Pittsburgh, PA	

Merger Agreements: State-Chartered Savings Associations and Commercial Banks 1998

Inter-Boro Savings and Loan Association merged with Hudson United Bank under the charter and title of Hudson United Bank, Union City effective 8/14/98.

Merger Agreements: State-Chartered Banks and National Banks 1998

Covenant Bank and First Union National Bank merged under the charter and title of First Union National Bank effective 1/6/98.

Security National Bank & Trust Company merged with Hudson United Bank under the charter and title of Hudson United Bank, Union City effective 2/5/98.

Community National Bank of New Jersey merged with Hudson United Bank under the charter and title of Hudson United Bank, Union City effective 8/14/98.

State Bank of South Orange merged with Valley National Bank under the charter and title of Valley National Bank, Passaic, effective 10/1/98.

Merger Agreements: State-Chartered Savings Banks 1998

Westwood Savings Bank merged with Lakeview Savings Bank, West Paterson under the charter and title of Lakeview Savings Bank effective 2/27/98.

Merger Agreements: State-Chartered Savings Banks and State-Chartered Commercial Banks 1998

Jersey Bank for Savings merged with Interchange State Bank under the charter and title of Interchange State Bank, Saddle Brook effective 5/31/98.

Merger Agreements: State-Chartered Savings Banks and State-Chartered Savings Associations 1998

Pulse Savings Bank merged with First Savings Bank, SLA under the charter and title of First Savings Bank, SLA, Woodbridge effective 12/18/98.

Merger Agreements: Federal Savings Banks and State-Chartered Savings Banks 1998

Monarch Bank, F.S.B. merged with Provident Savings Bank under the charter and title of Provident Savings Bank, Jersey City effective 12/23/98.

Merger Agreements: Federal Savings Banks and State-Chartered Commercial Banks 1998

Collective Bank merged with and into Summit Bank under the charter and title of Summit Bank, Hackensack effective 3/13/98.

Supervisory Merger or Supervisory Acquisitions

There were no supervisory acquisitions or supervisory mergers in 1998.

Associations Converting From State Associations to Federal Associations 1998

First Savings and Loan Association of Sea Isle City, Seaville, to First Bank of Sea Isle City, effective 10/5/98.

Liquidation in Process 1998

Bay City Savings & Loan Association Liquidating Corporation, South Amboy.

Name Changes 1998

Interchange State Bank, Saddle Brook, to Interchange Bank, effective 04/06/98.

Federated Bank and Trust Company, Gibbsboro, to Federated Investors Trust Company, effective 04/29/98.

Administration of the Governmental Unit Protection Act

Chapter 236, Laws of 1970 (N.J.S.A. 17:9-41 et seq.) provides that every New Jersey banking institution or savings and loan association which holds public funds on deposit shall, as security for such funds, maintain eligible collateral having a market value equal to at least five percent of the account balance of the funds. These institutions also must report to the Commissioner the amount of such deposit holdings, furnishing a description of the pledged collateral. For the purposes of this statute, known as the Governmental Unit Deposit Protection Act (GUDPA), public funds refer to the deposits of municipalities, counties, school districts or other public bodies corporate and politic created under state law by or on behalf of one or more counties or municipalities, and their officers, boards, commissions, departments and agencies. However, GUDPA does not apply to deposits of the state government itself.

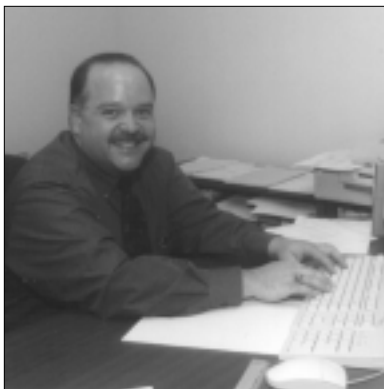
In the event of default by a depository holding public funds, the Commissioner determines the amount derived or to be derived from the liquidation of the collateral and the amounts to be distributed pro rata among the affected governmental units. If the proceeds from the sale of the collateral are insufficient to satisfy the deposit liability, the Commissioner assesses the deficiency against all other depositories with public funds on the basis of their individual liability to the total. However, the total collateral of all New Jersey commercial and savings banks is considered separately from that of savings and loan associations, as banking institutions are not liable in the case of a savings and loan association default and vice versa.

The implementing regulations for this act are contained in the New Jersey Administrative Code under N.J.A.C. 3:1-4.1 et seq. They require each depository with public funds to file semi-annually with the Commissioner a certified statement indicating the average public funds deposit balance during the past six months, the depository's capital position, the types and amounts of collateral pledged and the location of the repository holding the collateral. Aggregate public funds and collateral for the second half reporting period 1998 are shown in the chart below.

Deposits

(Amounts in Thousands)


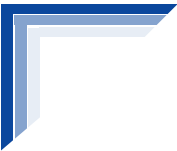
	Bank Pool	Thrift Pool
Average public funds reported on deposit 7/1/98 through 12/31/98	\$6,657,043	\$414,666
FDIC insurance applicable to reported public funds	\$871,430	\$42,844
Average public funds in excess of FDIC insurance 7/1/98 through 12/31/98	\$5,785,613	\$371,822
Total collateral pledged with the department for public funds	\$1,561,879	\$949,145



Michael Angelini (top),
supervising investigator,
pauses from his review of
consumer correspondence.



The department's events committee discusses one of many
charitable programs endorsed by the Governor's office.



**DEPARTMENT OF BANKING AND INSURANCE
PO Box 325
TRENTON, NJ 08625**

**GENERAL INSURANCE INFORMATION
609-292-5360**

**GENERAL BANKING INFORMATION
609-984-2777**

**INSURANCE COMPLAINTS
609-292-5316**

**AUTO, HOMEOWNERS & LIFE INSURANCE BUYER'S GUIDES
1-800-446-SHOP (7467)**

**OFFICE OF PUBLIC AFFAIRS
609-292-5064**

**REAL ESTATE COMMISSION
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**SMALL EMPLOYER HEALTH INSURANCE BUYER'S GUIDES
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609-896-8888**

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